Annual Report 2004

CIMPOR
CIMENTOS DE PORTUGAL
SGPS, S.A.

Profile of the CIMPOR Group

CIMPOR is an international cement group – ranked 10th worldwide, with an installed capacity of 23.4 million tons/year (cement production with own clinker) at the end of 2004. CIMPOR operates in eight countries (in addition to Angola where, late in the year, the Group acquired a 49% shareholding in Angola's leading cement company). CIMPOR is the national leader in Portugal and Mozambique and a regional leader in Morocco (Rabat), Egypt (Alexandria) and South Africa (KwaZulu-Natal), and also holds the 2nd, 3rd and 5th positions in Tunisia, Brazil and Spain, respectively.

Cement is the Group's core business. Concrete, Aggregates and Mortars are produced and sold in a vertical business integration process through which consolidated turnover reached 1,365.6 million euros in 2004.

STRATEGIC VISION

As one of the world's main players in the movement to consolidate the sector, CIMPOR intends to continue in the path of growth and internationalisation, whilst remaining independent of other large cement groups and maintaining its decision centre in Portugal.

VALUES

— Shareholders – To defend shareholders' legitimate interests through intrinsic appreciation of their investments in the company and adequate remuneration.

— Clients – Focus on the full satisfaction of client expectations in accordance with the ethical principles of integrity and the applicable standards.

— Personnel – Fair remuneration for work performed, career advancement opportunities and fairness of treatment.

— Organisation – Constant search for excellence by establishing ambitious goals and by selecting leaders at all levels capable of taking responsibility and of meeting targets.

— Quality – Compliance with national and international standards, particularly regarding Product Certification and the proper application of the Quality Management System.

— Environment – Harmonious integration in the social and cultural surroundings, based on an active policy of environmental protection and cooperation with local communities.

— Innovation – Maintain a policy of innovation and development of technology, products and services, in cooperation with the academic and scientific community.

— Communities near plants – Implement a social assistance policy to overcome structural weaknesses and to support social and cultural activities.

— Society in General – Maintain totally transparent Communication and Social Responsibility policies related with the Group's activities and revealing the Group's commitment to proactive duties of citizenship.

STRATEGY

— To consolidate current positions through internal growth – whilst increasing efficiency and capacity at various industrial units – and greater penetration in markets where the Group already operates – expansion to activities relating with the cement line (e.g. ready-mix concrete and operation of quarries).

— To make new acquisitions, with priority given to geographic areas of emerging markets where the Group already operates, while maintaining the necessary balance through operations in consolidated and mature markets where the lower growth potential is offset by lower risk.

— To optimise operations by taking advantage of synergies, cost cutting (particularly energy costs), higher personnel productivity and investment in R&D.

— To develop trade between the Group's companies so as to balance demand peaks in certain markets with supply surpluses in other areas.

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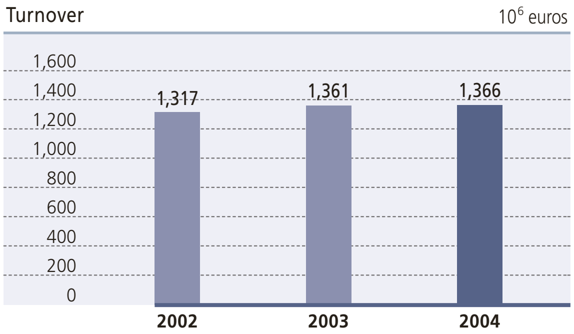
Key Financials

Consolidated Data

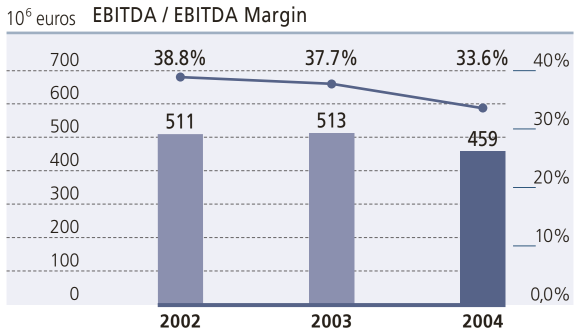
	Unit	2004	2003	Change	2002
Installed Capacity (Cement) (1)	10^3 ton	23,355	22,040	6.0 %	21,160
Group Sales					
Cement	10^3 ton	18,641	18,298	1.9 %	16,474
Concrete	10^3 m^3	6,674	6,068	10.0 %	5,989
Aggregates	10^3 ton	11,897	12,397	-4.0 %	13,088
Mortar	10^3 ton	490	438	11.9 %	418
Turnover	10^6 euros	1,365.6	1,360.9	0.3 %	1,317.2
Payroll Expenses	10^6 euros	155.2	153.0	1.4 %	152.2
Operating Cash Flow (EBITDA)	10^6 euros	458.7	512.5	-10.5 %	511.4
Operating Income (EBIT)	10^6 euros	248.2	289.0	-14.1 %	283.8
Financial Income (net)	10^6 euros	-6.5	-35.5	n/a	-23.3
Current Income	10^6 euros	241.7	253.4	-4.6 %	260.5
Net Income after Minority Interests	10^6 euros	185.9	185.9	0.0 %	176.6
Total Assets	10^6 euros	3,174.5	3,089.2	2.8 %	3,337.9
Shareholder's Equity	10^6 euros	970.4	960.6	1.0 %	949.6
Minority Interests	10^6 euros	76.3	78.3	-2.6 %	88.5
Net Financial Debt (2)	10^6 euros	1,229.4	1,238.5	-0.7 %	1,148.9
Capital Employed (3)	10^6 euros	2,548.2	2,571.3	-0.9 %	2,465.5
Employees (31 Dec.)	units	5,706	5,821	-2.0 %	6,061
Turnover / Employee	10^3 euros	242.1	226.7	6.8 %	224.2
Value Added / Employee	10^3 euros	108.8	110.9	-1.8 %	113.0
Net Investment					
Goodwill	10^6 euros	56.3	5.7	887.6 %	303.4
Tangible Fixed Assets	10^6 euros	170.6	148.3	15.0 %	401.2
Operating CF / Turnover (EBITDA Margin)		33.6%	37.7%		38.8%
Operating Income / Turnover (EBIT Margin)		18.2%	21.2%		21.5%
Return on Equity (RoE)		19.3%	19.5%		17.3%
Return on Capital Employed (RoCE) (4)		9.7%	10.3%		9.9%
Net Financial Debt / Capital Employed		48.2%	48.2%		46.6%
Market Capitalisation (31 Dec.)	10^6 euros	2,789	2,755	1.2 %	2,150
Income per Share (5)	euros	0.27	0.26	3.5 %	0.25
Quotation (31 Dec.) / Price Earnings Ratio (PER)		15.2	15.5		13.0

(1) Cement production capacity with own clinker (at the end of the year)
(2) Loans Obtained - (Loans Granted + Liquid Assets)
(3) Including Goodwill by the respective gross value
(4) Operating Income Net of Taxes (corrected by Amortisation of Goodwill) / Capital Employed
(5) (Current Income Net of Taxes - Minority Interests) / Average number of shares in circulation (adjusted by the stock split)

Turnover

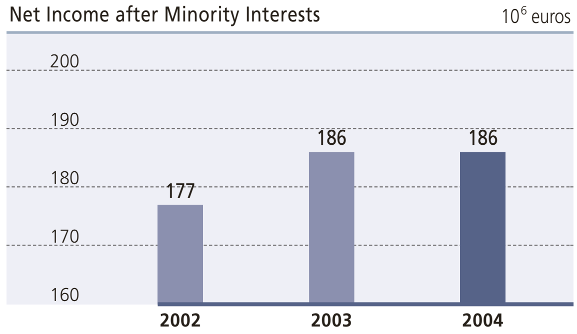


EBITDA / EBITDA Margin

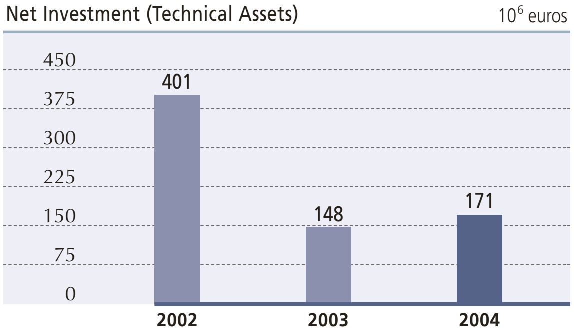


Value Added / Employee

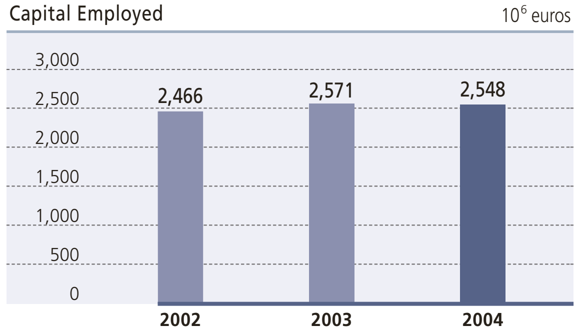
Net Income after Minority Interests



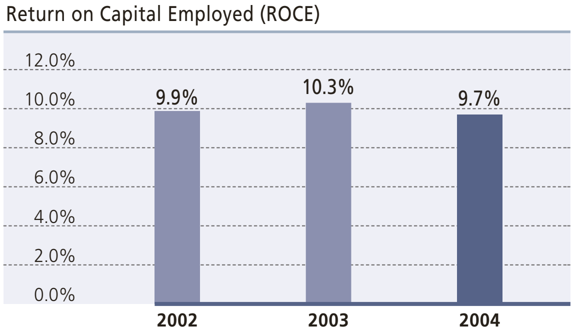
Net Investment (Technical Assets)



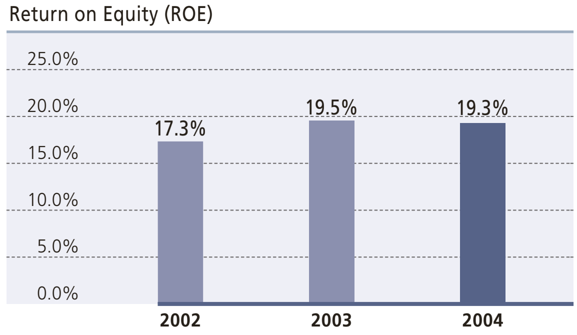
Capital Employed



Return on Capital Employed (ROCE)



Return on Equity (ROE)



Corporate Highlights in 2004

- CIMPOR – Cimentos de Portugal, SGPS, S.A., held its Annual General Meeting on 14 May 2004. All proposals submitted by the Board of Directors were approved, including the proposal for applying the 2003 results and the proposals to amend the company's articles of association.
- Cimpor Financial Operations, B.V., issued Eurobonds in the amount of 600 million euros, for seven years and with a 4.5% fixed rate, to pay part of the debt falling due from June 2004 to June 2005.
- Cimpor Inversiones, S.L. (later transformed into a public limited company) increased its share capital from 350 million euros to 522.7 million euros, fully subscribed to and paid by CIMPOR – Cimentos de Portugal, SGPS, S.A., for 357.2 million euros, including the emission premium.
- Acquisition, through Cimpor – Indústria de Cimentos, S.A., of all the share capital, in the amount of 60 million euros, in Scanang Holding, Lda., which has its registered Office in Gibraltar and holds a 49% stake in the Angolan cement company Nova Cimangola, S.A.
- Cimpor Investimentos, SGPS, S.A., acquired a 60% holding, for the respective nominal price, in the share capital (50,000 euros) of the shipping company Cimpship – Transportes Marítimos, S.A., which has its offices in the Madeira Free Trade Zone.
- Cimpor Tec – Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A., was founded with a share capital of 50,000 euros, fully held by the CIMPOR Group. The new company will render management, auditing, consultancy and technical assistance services (essentially to the Group's companies worldwide), transfer know-how among these companies and launch performance enhancement initiatives in various fields.

Portugal

- Cimpor Betão, SGPS, S.A., increased its shareholdings to 100% in Vermofeira – Extracção e Comércio de Areias, Lda., and Betrans – Sociedade Produtora e Distribuidora de Betão Transmontano, S.A., in both cases by acquiring 50% of the said capital for 50,600 euros and 1.1 million euros, respectively.
- Agrepor Agregados – Extracção de Inertes, S.A., acquired all the shares of Inergranitos, S.A., for 4.6 million euros.
- All the share capital of Veirocir – Comércio de Cimentos, Lda., about 3 million euros, was acquired by the Spanish companies Retonoba, S.A. (65%) and 99 Ship, S.A. (35%).
- Cimpor – Indústria de Cimentos, S.A., paid 17,000 euros for all the share capital of Scoreco – Valorização de Resíduos, purchased from Ecoresíduos – Centro de Tratamento e Valorização de Resíduos, Lda.
- Mossines – Cimentos de Sines, S.A., paid about 33 million euros to C+PA – Cimento e Produtos Associados, S.A., for a clinker grinding plant with a production capacity of 1,900 tons/day and built by the latter at the port of Sines.

Corporate Highlights in 2004

— Cimpor – Indústria de Cimentos, S.A., in the proportion of its shareholding (48%), subscribed to and paid for the capital increase in C+PA – Cimento e Produtos Associados, S.A., from 43.5 million euros to 100 million euros.

— The Competition Authorities cancelled the process to assess the merger operation announced in October 2003 by Cecisa – Comércio Internacional, S.A., which consisted of acquiring an 80% shareholding in Cecime – Cimentos, S.A., after Cecisa announced that it had decided to drop the acquisition plan.

— The new company Cimpship – Transportes Marítimos, S.A., purchased two sister ships with a capacity of 38,000 tons each, an investment of about USD 26 million.

— Geofer – Produção e Comercialização de Bens e Equipamentos, S.A., began producing concrete double-gauge mono-block crossties for the future TGV line.

— The investment necessary for receiving cement by railway at the Leixões port facilities was completed.

— The clinker shipping system at the Alhandra plant was automated, along with various environmental improvement investments.

— Various mergers by incorporation were performed in the concrete transport, production and sales areas to essentially reduce costs and to enhance service operation capacity and efficiency:

  — Trater – Empresa de Transportes e Gestão, S.A., was merged into Transviária – Gestão de Transportes, S.A.

  — Betejo – Sociedade de Betões, S.A., was merged into Ibera – Indústria de Betão, S.A.

  — Barbetão – Comércio e Distribuição de Betão, S.A., was merged into Cimpor Betão – Indústria de Betão Pronto, S.A.

Spain

— Corporación Noroeste, S.A., paid 888,800 euros for the whole shareholding in the Spanish company Áridos Donoso del Rio, S.L., which owns a concrete plant in Badajoz (Extremadura).

— Áridos Donoso del Rio, S.L. (which changed its name to Occidental de Hormigones, S.L.) paid about 11.4 million euros for eighteen concrete plants in Andalucia, Extremadura, Leon and Salamanca.

— Prebetong Galícia, S.A., increased its shareholding in Prebetong Lugo, S.A., from 75.3% to 82.9%.

— Entidad Urbanística de Gestión del Polígono Industrial de Sergude was founded and is held in 92% by Cementos Cosmos, S.A., and for which the respective urban development project was approved by the Junta de Gobierno del Ayuntamiento de Boqueixón.

— Corporación Noroeste, S.A., increased its shareholding in Cementos Antequera, S.A., from 20.1% to 21.35%.

— Cementos de Andalucía, S.L., began operating, which include the sale of all cement produced by Cementos El Monte, S.A., and by Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A. in the Spanish market.

— Corporación Noroeste de Hormigones y Aridos, S.L., increased its shareholding in Hormigones Mariña, S.L., from 86.6% to 99.7%.

— The companies Prebetong Galícia, S.A., and Hormigones Miño, S.L., (almost entirely held by the Group) acquired four concrete plants in Galicia from Hormigones y Áridos La Barca, S.A. (in which the Group only has a 50% stake)

— Prebetong Lugo, S.A., held a General Meeting in which it was decided to partially spin-off its production and sale of ready-mix concrete and dry mortar. The respective assets were switched to a new company called Prebetong Lugo Hormigones, S.A.

— The company Sociedad Industrial y Financiera Gallega, S.L., was founded with a share capital of 3,100 euros, fully held by Corporación Noroeste, S.A. This new company paid about 4.5 million euros for a 54.15% shareholding in the company Materiales del Atlántico, S.A., which owns a cement grinding plant in the city of Narón (A Coruña).

— Canteras Prebetong, S.L., paid about 6.3 million euros for all the shares in Brañas de Brins, S.A., which owns a granite quarry near Santiago de Compostela.

— The Shared Services company Cimpor – Servicios de Apoyo a la Gestion de Empresas, S.A., was founded to render management and consultancy services along with advisory services for administrative, financial, human resources, information, planning and control systems.

Morocco

— Work began to install a new pre-calcinator at the Asment de Témara plant that will increase clinker production from 2,000 to 2,800 tons/day.

— Asment de Témara's Quality Management System evolved to standard ISO 9001:2000, and the respective certification was confirmed.

Tunisia

— Ciments de Jbel Oust increased its share capital from TND 64,050,600 to TND 76,596,500 by incorporating the special investment reserve.

— Work began to build the new head offices of Ciments de Jbel Oust.

— The three existing clinker grinding plants were modernised, thereby increasing their production capacity.

— Investment was completed for a new coal grinding unit whose operation start-up was pending since January 2004, waiting for the Tunisian government to issue the respective authorisation to import petcoke.

— A new cement-bag palletising system began operating.

— The ISO 14001 Environmental Management standard was implemented, and a project was launched for installing the Safety Management System in order to obtain the respective certifications in 2005.

Corporate Highlights in 2004

Egypt

— The new line at Amreyah Cimpor Cement Company began operating with a clinker production capacity of 4,300 tons/day. This company was also exempt from all income tax until 2014, inclusive.

— An investment was completed for a new commercial reception to improve service quality and better vehicle control.

— Work began to adapt the future commercial and administrative facilities of the Group's companies in Alexandria.

— The Business Area began exporting clinker by ship.

— Amreyah Cement Company increased its share capital from EGP 100 million to EGP 300 million by incorporating reserves.

— Cimpsac – Cimpor Sacs Manufacture Company, S.A.E., was founded with a share capital of EGP 10 million, fully held by Group companies. The new company will run a paper bag factory.

— Amreyah Cement Company was issued certificates ISO 9001:2000 (Quality Management) and ISO 14001 (Environmental Management).

— The fist stage for installing new management software (SAP) was completed.

Brazil

— A Unified Public Offer was launched for the shares in Companhia de Cimentos do Brasil (CCB). The Group consequently purchased all of the said company's remaining shares and annulled the company's status as a public limited company.

— The Group formed a partnership with the Lafarge Group and thereby created a new company called Eco-Processa – Tratamento de Resíduos, Lda., to manage waste elimination and treatment at the kilns of both Groups in Brazil. The new company will act as the intermediary, agent and manager of contracts for burning waste through co-processing. It will also identify, analyse and prepare the said waste through third parties or through subsidiaries whose activities complement the new company.

— Companhia de Cimentos do Brasil acquired three concrete plants in the cities of Porto Alegre, Caxias do Sul and São Leopoldo.

— Work began for installing a new software management system (SAP).

Mozambique

— Cimentos de Moçambique's 2002 debenture was restructured, thereby reducing its interest rate (in local currency) by about 7%.

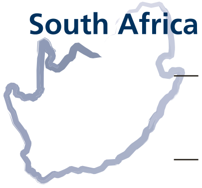
— Work began to increase the grinding capacity at Nacala from 340 to 500 tons/day.

— A three-year exemption on import duties was obtained for raw materials imported for the Nacala grinding plant.

— The ISO 9001:2000 quality certification process began at the Matola factory.

— The "SAP Project" was started in Dondo and Nacala.

South Africa



— Natal Portland Cement (NPC) acquired all the share capital in three ready-mix concrete and quarry companies for an overall amount of ZAR 38 million.

— NPC reduced its share capital to ZAR 60 million, and annulled shares without voting rights held by the Employees Share Trust.

— The three NPC plants obtained their Environmental Management certificates under standard ISO 14001, and obtained the "5-star" Work Safety Management classification issued by the respective audit company.

— Installation of new management software (SAP).

Governing Bodies

Board of Directors

Chairman
Ricardo Manuel Simões Bayão Horta

Members
Luís Eduardo da Silva Barbosa
Jacques Lefèvre
Jean Carlos Angulo *
Jorge Manuel Tavares Salavessa Moura *
Luís Filipe Sequeira Martins *
Manuel Luís Barata de Faria Blanc *
Pedro Maria Calaínho Teixeira Duarte *
João Salvador dos Santos Matias
Vicente Árias Mosquera
Manuel Roseta Fino **

* *Executive Committee*
** *Co-opted at the Board of Directors Meeting of 24 November 2004*

Audit Committee

Chairman
Ricardo José Minotti da Cruz Filipe

Members
José Conceição Silva Gaspar
Deloitte & Associados, SROC, S.A.*, represented by Carlos Manuel Pereira Freire

Alternate Member
José Martins Rovisco

Alternate Auditor
António Marques Dias

* *New name of the firm António Dias & Associados, SROC, S.A., that, consequent to a merger, incorporated the firm Freire, Loureiro & Associados, SROC, elected as an Audit Committee member on 31 July 2001*

Shareholders' General Meeting

Chairman
Miguel António Monteiro Galvão Teles

Deputy Chairman
José António Cobra Ferreira

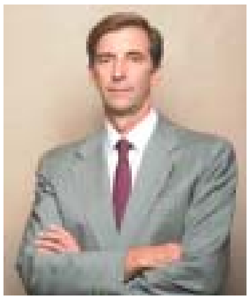
Secretary
Jorge Manuel da Costa Félix Oom

Company Secretary

Secretary in office
Jorge Manuel da Costa Félix Oom

Alternate secretary
Armindo Oliveira das Neves *

* *Appointed on 18 October 2004*



Executive Committee

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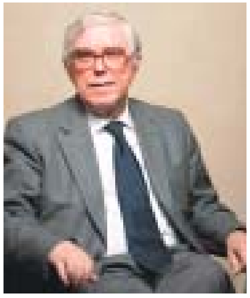

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REPORT AND ACCOUNTS FOR 2004 (HOLDING COMPANY)




1

CONSOLIDATED ANNUAL REPORT

Corporate Governance

In keeping with its tradition of transparent corporate governance, CIMPOR periodically discloses its policies, positions and solutions to stakeholders, the financial community, authorities and the general public.

In this chapter of the annual report, the Board of Directors will disclose the most relevant aspects related with Corporate Governance and the Group, thereby complying with the duty of disclosure set forth in Regulation no. 11/2003 of the Securities and Exchange Commission (CMVM).

0. Declaration of Compliance

CIMPOR fully abides by all the recommendations covering the governance of quoted companies as disclosed by CMVM in November 2003, with the sole exception of the final part of recommendation no. 8, as justified hereunder.

The recommendation (no. 2) to remove restrictions on active voting rights – whereby shares must be deposited or blocked only 5 business days in advance for their holder to participate in the respective general meeting – became effective when the Board of Directors' proposal to amend the articles of association was approved at the General Meeting of 14 May 2004.

As indicated in the first paragraph, only recommendation no. 8 was not fully met. Although the Company remunerated board members in a manner consentaneous with the company's interests, it did not disclose individual remuneration paid to board members.

Individual remuneration of board members was not disclosed because, first of all, the shareholders decided to appoint a committee to determine the remuneration of board members instead of deciding such at a general meeting, within the terms of no. 1 of article 339 of the Companies Code and of no. 2 of article 17 of the Memorandum of Association. This decision by the shareholders implies a degree of confidentiality incompatible with publicly disclosing the individual remunerations. Moreover, since this is a matter over which the shareholders are sovereign, according to Portuguese law, they may always decided on the contrary if they should regard the disclosed information as insufficient and apply the stipulations of no. 5 of chapter IV of the Annex to CMVM Regulation no. 7/2001.

1. Disclosure of Information

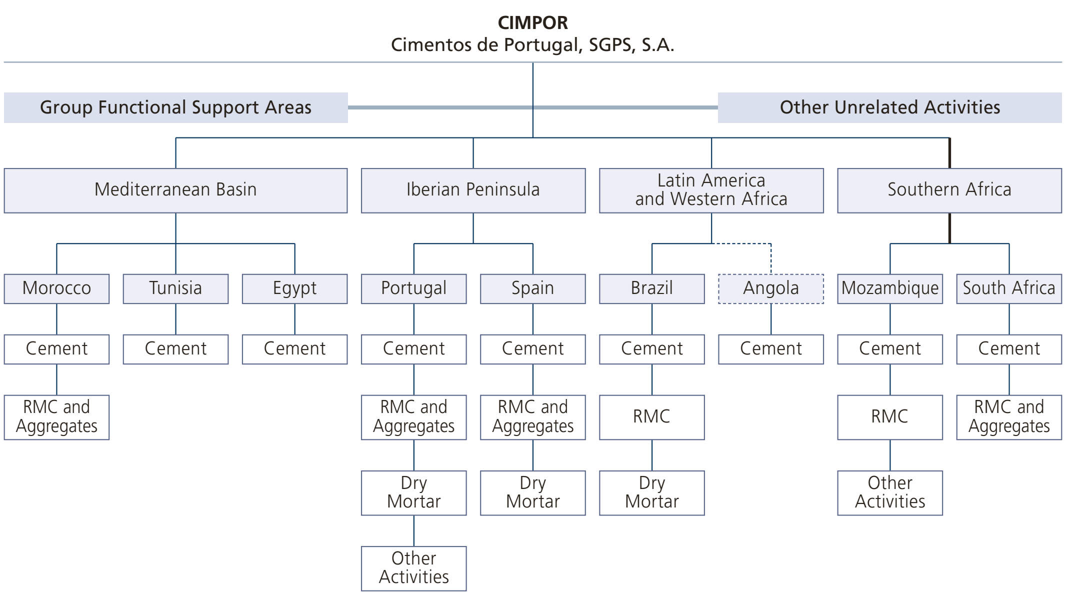
1.1. Organisation Structure

1.1.1. CIMPOR Group

The CIMPOR Group is structured into Business Areas corresponding to the various countries where it operates or where it holds minority shareholdings. The said Business Areas are grouped into three major regions: i) The Iberian Peninsula; (ii) The Mediterranean Basin; (iii) Latin America and Western Africa and (iv) Southern Africa. Within each Business Area, the various activities are organised per product, in which the core business is the production and sale of cement.

As the Group's holding company, CIMPOR – Cimentos de Portugal, SGPS, S.A., is in charge of the Group's strategic development, particularly its whole internationalisation process and the overall management of all the various Business Areas, thereby coordinating financial, technical, human and other resources according to the criteria and guidelines laid out in the five-year Strategic Plan. This plan is reviewed and approved annually by the Board of Directors in accordance with the Group's main goals.

In-depth monitoring of the Business Areas is entrusted to CIMPOR Portugal, SGPS, S.A., with regard to the business carried out in Portugal, and to CIMPOR Inversiones, S.L., a sub-holding with its head office in Spain and founded in 2002, acting as the Group's international expansion platform.



Each of the aforementioned regions is coordinated by a "zone manager," (except in the Iberian Peninsula (due to its dimension and diversity of operations). This "zone manager" belongs to the Board of Directors of the companies in the Business Areas belonging to the region in question.

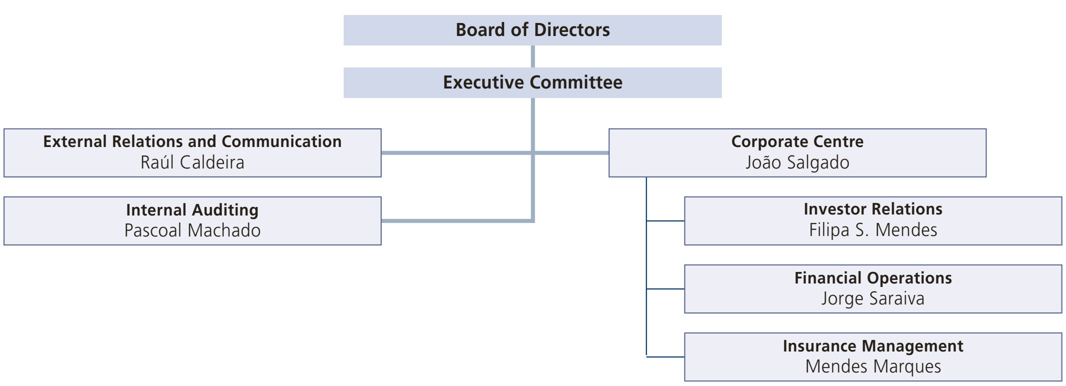
Each Business Area's corporate organisation is, in each case, that best suited to the characteristics of the business in question and to the legal system in that country. This approach is aimed at making the best use of any synergies and benefits of a more favourable financial and tax framework.

Each Business Area operates according to the principles of autonomous management, particularly regarding day-to-day and operational management, within the framework of a participative and interactive establishment of strategic guidelines, business and investment plans and annual targets and budgets that are periodically reviewed and controlled. The goal is to have each Business Area's management consist of local staff and of other Group staff to ensure a multicultural management.

At companies directly or indirectly dependent on CIMPOR – Cimentos de Portugal, SGPS, S.A., the more important decisions – e.g. those that exceed certain values or have a greater impact on profits or on the Group's strategic development – must be approved or ratified by the holding company's management. This is also applicable to decisions or actions that, when dealt with at a Group level, allow significant synergies to be generated.

1.1.2. CIMPOR Holding

To properly perform its role, CIMPOR – Cimentos de Portugal, SGPS, S.A., has a number of functional bodies to assist the Group's management and each Business Area, as illustrated in the following diagram.



The Corporate Centre performs the following essential tasks: (i) contributes to the Group's international development strategy, dealing with the procedures for acquiring companies in the various countries where the Group plans to expand its operations; (ii) through the *Investor Relations Office*, ensures regular communication with the various capital market players, particularly shareholders, supervisory and other authorities, financial analysts and fund managers and other collective investment entities; (iii) within the scope of the *Financial Operations Area*, provides access, under the best conditions, to the financial resources required for the Group's growth and for its day-to-day operation; and (iv) manages and controls the Group's asset risks through the *Insurance Management Service*.

The *External Relations and Communication Department* carries out the Group's communication and image policies.

The *Internal Auditing Department* performs and coordinates the entire Group's financial, asset and operational audits by examining and evaluating the adequacy and effectiveness of the internal control systems and their performance quality.

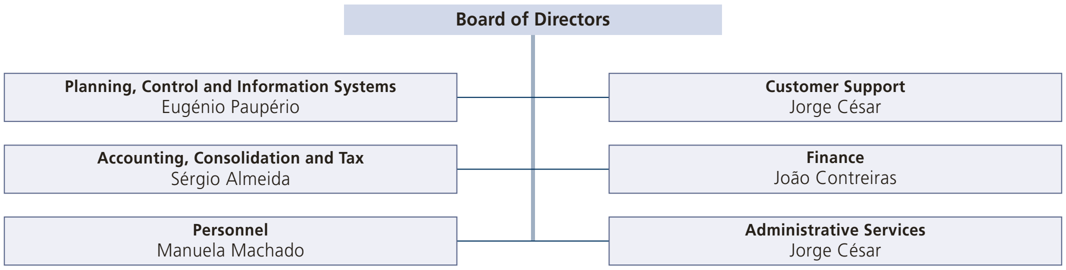
At the end of 2004, the *Technical and Industrial Development Centre* (another major player in the holding company which renders technical and technological assistance to the Group's various production facilities, prepares the annual and multi-year investment programs and coordinates their implementation) was merged into the new company CIMPOR TEC – Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A. (see number 1.1.4).

1.1.3. Shared Services

The harmonisation and standardisation of processes and practices to enhance the Group's culture and to improve the quality, flow and reliability of information for decision making have long been an important pillar in the overall policy of the CIMPOR Group.

At the start of 2004, after having founded a "Shared Services" company (CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A. (CIMPOR Serviços)) – a number of non-core business processes/functions were transferred to it that, until then, had been dispersed among the Group's holding company, the sub-holding CIMPOR Portugal and the very operating companies.

CIMPOR Serviços renders management, consultancy and advisory services to all Group companies (particularly to those headquartered in Portugal) and is currently structured as shown in the following diagram.



The *Planning, Control and Information Systems Department* coordinates and executes the whole process of preparing and controlling the plans and budgets of the various Business Areas and companies headquartered in Portugal and also manages and develops the Group's information systems and technology.

The *Accounting, Consolidation and Tax Department*: (i) promotes and performs the whole financial consolidation process; (ii) defines the Group's accounting principles and policies, and also coordinates and supports the respective implementation; (iii) prepares and carries out the accounting of the various companies headquartered in Portugal; and (iv) ensures the Group's tax planning and the said companies' compliance with their tax obligations.

The *Personnel Department* implements the Group's Human Resources policy in Portugal with the objective of making better use of available competencies. It also develops the said resources to maximise personnel performance and to contribute to their personal and professional fulfilment. The *Personnel Department* also manages personnel working under service contracts signed with Group companies headquartered in Portugal.

The *Financial Department*, also in accordance with those contracts, provides these companies with services relating to their respective receivables, payables and treasury processes and at the same time also monitors and controls their financial management.

The *Administrative Services* manage the physical spaces assigned to Group companies headquartered in Lisbon (Rua Alexandre Herculano and Prior Velho). They render administrative support services to the said companies relating to purchases and stores, travel and accommodations, communications and filing, and also provide advice on organisational development.

The *Customer Support Department* has the mission of creating a link between these various bodies of the Shared Services Centre and the companies that it serves – to continuously improve service quality and higher satisfaction by client companies – and also of providing the required assistance to corporate bodies.

1.1.4. CIMPOR TEC

The need to strengthen the Group's technical and technological culture convinced the Board of Directors to create a new company combining the Technical and Industrial Development Centre (until then belonging to the holding company) and the Central Laboratory of CIMPOR – Indústria de Cimentos, S.A. That is how CIMPOR TEC – Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A., came into existence late in the year and whose mission, as of 1 January 2005, is as follows:

- To render technical and technological assistance to the various Group companies, particularly those in the cement sector, so that they may enhance their operation performance whilst meeting the principles of Sustainable Development;

- To ensure technical and economic excellence of the Group's industrial investments in that sector;

- To promote new initiatives common to all Group companies, particularly personnel training courses to help achieve technical progress in cement production and sales;

- To render technical advise for evaluating economic aspects and opportunities relating to purchases of cement-related assets and also to define targets;

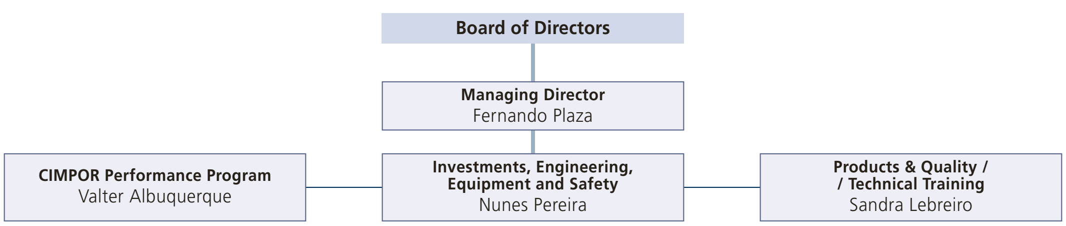
- To ensure that all Group companies are aware of and use the know-how available at each company or which may be accessed externally.

The company's initial organisation covers three major activity segments, as shown by the diagram below:

- *CIMPOR Performance Program* for developing and implementing performance management tools in the operational, process engineering, environmental, geological and raw material fields;

- *Investments, Engineering, Equipment and Safety*, covering investment and project management, automation and control, equipment and maintenance management and occupational safety and health;

- *Products & Quality / Technical Training*, which, in addition to these areas, includes the Central Laboratory and R&D.



1.2. Board of Directors' In-house Corporate Governance and Social Responsibility Advisory Committee

To meet better international corporate governance practices, at the start of 2002 a Corporate Governance Committee was formed within the Board of Directors to perform studies, draft reports and render advice to the Board of Directors about in-house regulations and procedures. The advice covers the development and enhancement of principles and practices of company conduct and governance, including matters regarding the Board's own operation and internal relations and the prevention of conflicts of interest and information discipline.

In 2005, the Board of Directors decided to extend the scope of these issues to matters about the Group's social responsibility. The said commission was thereafter called "Board of Directors' In-house Corporate Governance and Social Responsibility Advisory Committee."

This Committee consists of at least three directors (a majority of which must be non-executive and independent). The Committee currently consists of the following members:

- Ricardo Manuel Simões Bayão Horta
- Luís Eduardo da Silva Barbosa
- Jorge Manuel Tavares Salavessa Moura.

All these directors, of which only the third holds an executive position, are independent, under the terms of no. 2 of article 1 of CMVM Regulation no. 11/2003.

The Committee meets whenever justified and, in principle, at least once every half year. The company provides, at its own expense, access to external consultants specialised in the various fields.

In 2004, the Committee met four times. It performed a benchmarking analysis of CIMPOR's corporate governance practices, particularly in light of the applicable CMVM regulations and of the "OCDE Principles of Corporate Governance." Among the conclusions by the said analysis, emphasis goes to the recommendation to formally prepare an Ethics Code to be disclosed and met throughout the Group. This recommendation was approved by the Board of Directors and is now being prepared.

1.3. Risk Control System

Risk management at the CIMPOR Group starts at the main operating companies by identifying, measuring and analysing the various risks to which they are subject. Focus is placed on operating and market risks (business-volume risk), and an estimate is made of the probability of the occurrence of the various factors underlying the risks and their potential impact on the company's business or activity in question.

The various operating managers are also responsible for designing and implementing the most suitable risk control mechanisms. The holding company will periodically evaluate the efficiency of these mechanisms – through the respective Internal Audit Office – to ensure that they comply with a yearly audit plan covering financial statements, information systems and process systems in compliance with the approved procedures.

The holding company's essential goal is to obtain an integrated vision of the risks to which the Group is subject in each of its activities or Business Areas and to ensure that the consequent risk profile is consistent with the Group's global strategy. In particular, the Group must also determine whether the risk level is acceptable in view of its capital structure. That is, in accordance with the policy set out by the Board of Directors: a risk level that, in terms of long-term rating, does not jeopardise CIMPOR's current investment grade rating.

The detailed management report includes a chapter describing the financial and asset risk management policies applied, in the case of the holding company, by the Corporate Centre (see point 7.2. of chapter II in this report). For general risks of an economic nature not subject to specific coverage, the Group maintains a policy of geographically diversified investment expansion to ensure a balance between CIMPOR's operations in developed and emerging markets and to maintain business operations in various growth stages. Potential acquisitions are therefore analysed according to their contribution to a balanced and geographically diversified business portfolio, and assets to be acquired are valued individually by including risk premiums, appropriate to the situation in each country.

1.4. CIMPOR Shares on the Stock Market

1.4.1. Stock Market Performance of the Shares

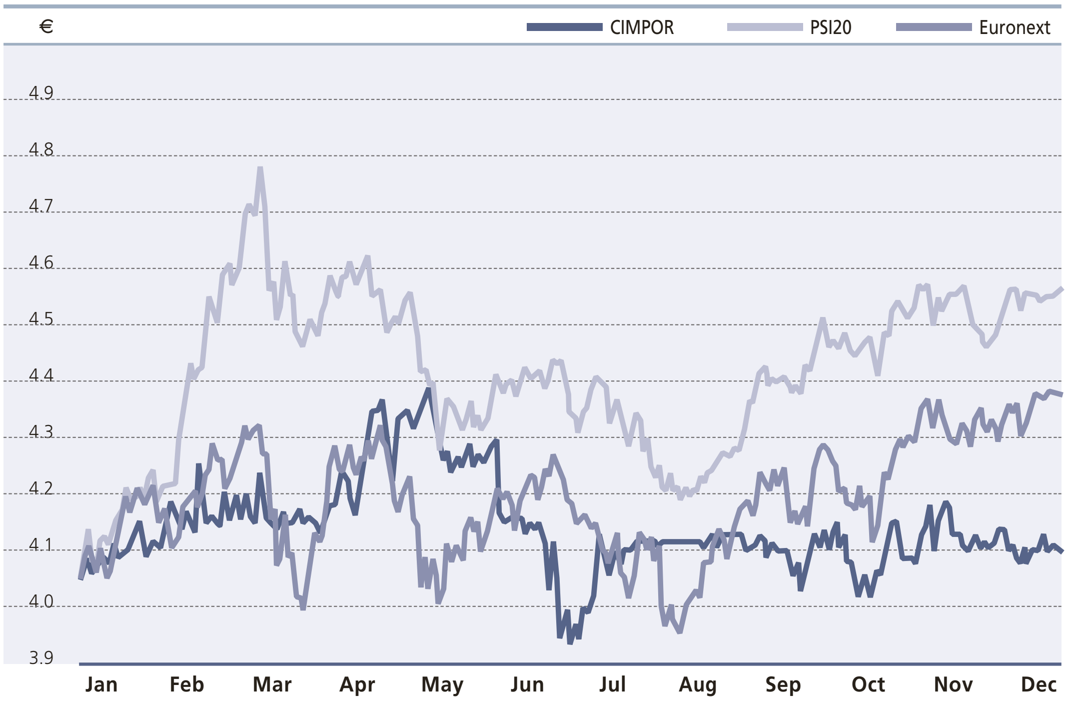
In 2004, after a very promising year, international stock markets were undermined by the clearly slower economic recovery in the major countries and by concerns with the effect of higher oil prices. Nevertheless, even within this scenario and despite Portugal's weak economic performance, the Lisbon Euronext performed well. The PSI20 rose by 12.6%, clearly outperforming Europe's main reference index (Euronext 100) which rose 8.0%.

Characteristics of CIMPOR Securities

Name	**CIMPOR – Cimentos de Portugal, SGPS, S.A.**
Share trading	Lisbon Euronext
Futures trading	Lisbon Euronext
Codes	LISBON TRADING: CPR REUTERS: CMPR.IN BLOOMBERG: CIMP PL
Number of shares	Total – 672,000,000 Listed – 672,000,000
Par value of shares	**1 euro**

CIMPOR shares, however, did not keep up with the market trend. At the end of the year, CIMPOR shares were listed at 4.15 euros – after having fluctuated from 3.87 euros on July 5 to a high of 4.48 euros on April 22 – a mere 1.2% gain over the closing price on 31 December 2003.

Performance of CIMPOR Shares



In 2004, over 220 million CIMPOR shares were traded, more than tripling transactions in 2003. Traded shares reached a total value of 940 million euros, almost quadrupling the value of transactions in the previous year and pushing CIMPOR shares to the sixth rank at Lisbon Euronext (where total trading increased by nearly 46%).

Corporate Highlights in 2004

- **5 March** – Publication of the results for 2003.
- **22 March** – Corporación Noroeste, S.A., signed an options contract to buy eighteen concrete plants in Andalusia, Extremadura, Leon and Salamanca (Spain).
- **29 April** – Publication of the results for the 1st quarter.
- **14 May** – Annual General Meeting.

11 June – Dividend payment.

3 August – The Competition Authorities suspended its assessment of the merger disclosed in October 2003 by Cecisa – Comércio Internacional, S.A., for the acquisition of 80% of the share capital of Cecime – Cimentos, S.A., when the merger announcement was withdrawn.

13 September – Publication of the results for the 1st half.

22 September – Announcement that the company Trater – Empresa de Transportes e Gestão, S.A., would be merged into Transviária – Gestão de Transportes, S.A.

30 September – Announcement that the company Freire, Loureiro & Associados, SROC, the member of the Audit Committee, was merged into António Dias & Associados, SROC, S.A., currently called Deloitte & Associados, SROC, S.A.

1 October – Announcement that Filipa Saraiva Mendes was appointed as a Representative for Market Relations and for Relations with CMVM (Securities and Exchange Commission), in substitution of Raúl Tito Rodrigues Caldeira.

18 October – Announcement that Armindo Oliveira das Neves was appointed as the Alternate Company Secretary.

22 October – Corporación Noroeste, S.A., signed a contract to purchase 54.15% of the capital in Materiales del Atlántico, S.A., which owns a cement grinding plant in the city of Narón (A Coruña – Spain).

8 November – Publication of the results for the 3rd quarter.

8 November – Cimpor – Indústria de Cimentos, S.A., signed a contract to purchase all the share capital in Scanang Holding, Ltd., which holds a 49% stake in the Angolan cement company Nova Cimangola, S.A.

24 November – The Board of Directors announced that it had accepted Manuel Ferreira's request to resign from director and that he had been substituted by Manuel Roseta Fino, by cooption.

24 November – The 4th CIMPOR privatisation stage was launched through the authorisation to float 67,527,495 shares, with a par value of 1 euro, on the Official Stock Market, representing 10.05% of the capital of CIMPOR – Cimentos de Portugal, SGPS, S.A.

29 November – Corporación Noroeste, S.A., signed a purchase option contract for all the capital of Brañas de Brins, S.A., which owns a granite quarry in Santiago de Compostela (Spain).

2 December – Trater – Empresa de Transportes e Gestão, S.A., was merged into Transviária – Gestão de Transportes, S.A.

29 December – Barbetão – Comércio e Distribuição de Betão, S.A., was merged into Cimpor Betão – Indústria de Betão Pronto, S.A.

The dividends for 2003 were paid on 11 June 2004. The gross dividend – 0.17 euros/share (0.15725 euros net paid to shareholders residing in Portugal and 0.14875 euros net for non-residents) – represented a 6.25% improvement over the previous year and a gross dividend yield of 3.9% on the dividend payment date.

At the end of 2004, CIMPOR shares had obtained an average annual yield of 13.7%, when considering their appreciation since their listing and their total dividend payment.

On 24 November 2004, CIMPOR listed 67,527,495 shares on the Lisbon Euronext, representing 10.05% of the share capital of CIMPOR – Cimentos de Portugal, SGPS, S.A. These ordinary registered shares were represented by title deed and had a par value of 1 euro each. This operation complied with no. 1 of article 4 of Decree-Law no. 331/2000, of 30 December, which approved the 4th CIMPOR privatisation stage, whereby the shares had remained unavailable for trading for three years until 9 August 2004. As of this date all shares representing the company's share capital were listed.

	2004	2003	2002
Share Capital (10^3 euros)	672,000	672,000	672,000
Number of Shares (1) (2)			
Total	672,000,000	672,000,000	134,400,000
Own Shares	4,751,960	5,340,565	1,196,911
Price (euros) (1)			
Maximum	4.48	4.17	23.49
Minimum	3.87	3.19	15.70
End of year price	4.15	4.10	16.00
Market capitalisation (10^3 euros) (2)	2,788,800	2,755,200	2,150,400
Gross dividend / share (euros) (1) (3)	0.18	0.17	0.80
Dividend yield (4)	4.34 %	4.15 %	5.00 %
Net income net of minor. interests (10^3 euros)	185,909	185,883	176,563
Payout ratio	65.1%	61.5 %	60.9 %
Current income net of taxes (10^3 euros) (5)	249,307	242,136	223,174
Payout ratio	48.5 %	47.2 %	48.2 %
Transactions			
By volume (1,000 shares) (1)	222,901	67,724	34,611
By value (10^6 euros)	937	238	686
Market share	3.4 %	1.3 %	3.2 %
Annual evolution			
Euronext 100	+ 8.0 %	+ 12.7 %	- 32.5 %
PSI 20	+ 12.6 %	+ 15.8 %	- 17.6 %
CIMPOR shares	+ 1.2 %	+ 28.1 %	- 18.8 %

(1) In 2002: shares with a par value of five euros; in 2003 and 2004: shares with a par value of one euro.
(2) On 31 December.
(3) In 2004: according to the proposal to be submitted at the General Meeting.
(4) In terms of the price at the end of the year.
(5) Prior to depreciation of goodwill and after deducting minority interests.

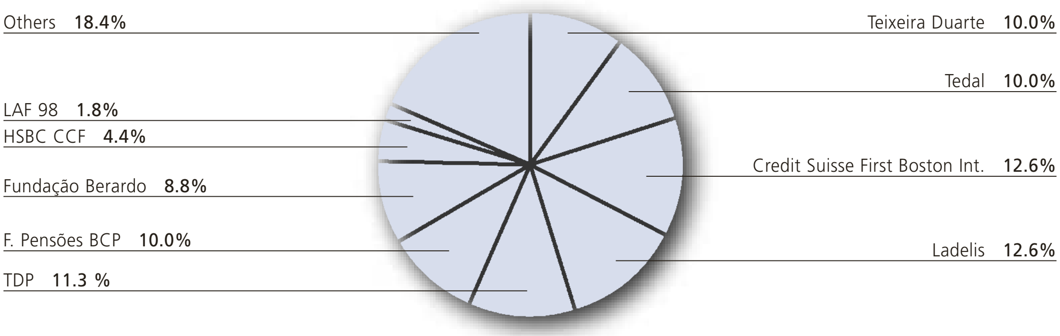
Ten years after its shares were first listed on the stock exchange, CIMPOR remain fully committed to maintaining a close relation with all capital market players by providing timely, clear, exact, objective and transparent information about the Group and its business activities.

Cimpor's ongoing concern with employing the best international Corporate Governance practices was one of the reasons why, for three consecutive years, it won the prize for the best Annual Report for non-financial companies, awarded by Deloitte & Touche in collaboration with the publications *Semanário Económico* and *Diário Económico*. In 2004, CIMPOR won honourable mention in the said category.

1.4.2. Shareholder Structure

Breakdown of the Shareholder Structure

(Shareholdings as notified to the company by 31 December 2004)



1.4.3. Own Shares

CIMPOR began the year with 5,340,565 own shares. During the year it sold 588,605 shares at an average price of 3.11 euros to Group staff members under the stock options plan laid out in point 1.6. below. Since it did not make any acquisitions during the year, at the end of 2004 CIMPOR held 4,751,960 own shares representing 0.71% of its share capital.

1.5. Dividend Distribution Policy

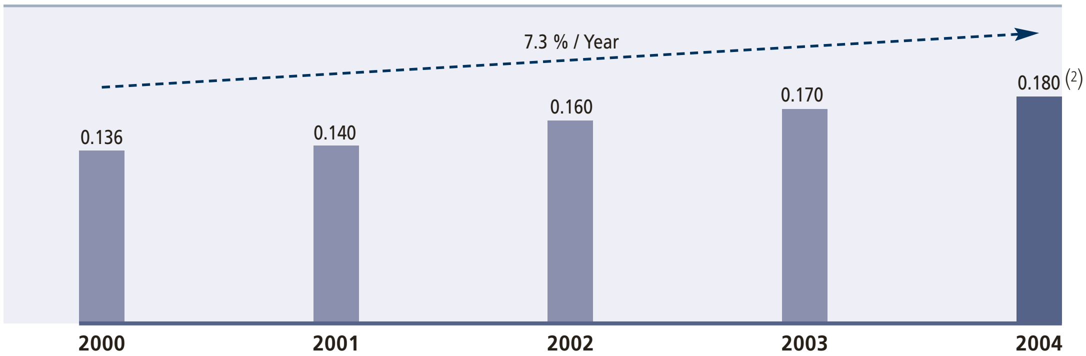
The Board of Directors of CIMPOR – Cimentos de Portugal. SGPS. S.A., intends to maintain a dividend distribution policy that, in particular, takes the following into account:

- the desirable stability of the payout ratio;
- a competitive dividend yield within the Portuguese market and within the international cement industry;

— the Group's future investment prospects, viewed in light of the need for financing out of shareholders' funds and the cash-flow generating capacity of the various businesses.

The profit application proposal set out in the annual report, in reference to CIMPOR's individual business activity, meets the aforementioned policy guidelines. The proposed dividend of 0.18 euros per share corresponds to about 48.5% of the current income net of income tax (prior to depreciation of goodwill and after deducting minority interests) and also corresponds to 65.1% of the Group's net income.

Gross Dividend / Share (euros) (1)



(1) Adjusted.
(2) As per proposal to be submitted at the General Meeting.

1.6. Stock Purchase and Option Plans

Under the Group's employee remuneration and incentives policy, and to ensure greater correlation between employee interests and the goal of creating shareholder value, the Annual General meeting on 14 May 2004 of CIMPOR – Cimentos de Portugal, SGPS, S.A., decided, as in previous years and by proposal of the Board of Directors, to enable personnel to make a favourable investment. The said meeting approved the sale of own shares under a new *Employee Stock Option* Plan for staff and management of the company or of its subsidiaries and also approved the "Series 2004" *Stock Option Plan* for the Group's Directors and Management (regulated by the Remuneration Committee and with minor alterations made in March 2004).

As in previous years, the aforementioned approval by the General Meeting expressly justified the adoption of the plans and includes a summary of the essential characteristics of the approved plans. These characteristics include, among others, prerequisites for carrying out the plans, criteria for determining share prices or for exercising the options, laid out in relation to stock market prices at specific times, the periods during which the options may be exercised and assigns competence to the management body to execute or modify the plans.

EMPLOYEE STOCK PURCHASE PLAN FOR 2004

The Employee Stock Purchase Plan covers most employees with a stable binding working relation with CIMPOR – Cimentos de Portugal, SGPS, S,A,, or with companies headquartered in Portugal and controlled directly or indirectly by it. The plan also covers directors and the management of all Group companies headquartered abroad (proposed for such by the managers of the respective areas) and other employees (indicated by the Executive Committee for that purpose) working at companies in which the holding company or another company controlled by it have a shareholding. The *Employee Stock Purchase Plan for 2004* granted each beneficiary – as decided by the Remuneration Committee for the holding company's directors, and as decided by the Executive Committee for the other cases – the right to acquire a specific number of CIMPOR's own shares at 75% of the closing selling price on the transaction date (rounded up to the highest number) and determined according to the following rule:

$$\text{Maximum purchased shares} = \frac{\text{Gross base monthly wage / 2}}{\text{75\% of closing market price on transaction date}}$$

rounded off by default to a multiple of five or ten shares, depending on whether the application of the said formula results in an amount less or greater than 100. respectively.

Of the 2,223 employees eligible to purchase CIMPOR shares, according to that rule and during the respective eligibility period (from April 6 to April 30), 307 employees (251 in Portugal and 56 in Spain) purchased 133,755 shares at 3.28 euros each.

CIMPOR STOCK OPTION PLAN FOR THE GROUP'S DIRECTORS AND MANAGEMENT PERSONNEL – 2004 SERIES

The *Stock Option Plan – 2004 Series* – was applicable to the directors of the holding whom the Remuneration Committee decided to name as beneficiaries and the members of the Board of Directors of the subsidiaries and other personnel of the Group designated for that purpose by the Executive Committee.

As indicated in the decision by the General Meeting of 14 May 2004, the Plan's main characteristics are as follows (with the amendments made by the Remuneration Committee in March of this past year):

- Every year each beneficiary is granted the right to acquire a certain number of CIMPOR shares (initial options) at a price determined by the Remuneration Committee (within thirty days of the Annual General Meeting that approves the accounts), the price not being less than eighty-five percent of the average closing price of the sixty stock market sessions immediately prior to that date;

- For each initial option actually exercised, the beneficiary is granted the right to acquire one new share at the same unit price in each of the following three years (derived options); the shares acquired through exercising the initial option and those corresponding to the derived option constitute a series;
- The number of initial options awarded to each beneficiary is determined by the Remuneration Committee for members of the holding company's Board of Directors and by the latter (or by the Executive Committee) in the other cases;
- The number of derived options to be exercised each year by each beneficiary cannot, taken together, exceed the number of shares held by the beneficiary on February 28 of the year in question, regardless of whether they were acquired under the Plan;
- The period during which the initial options can be exercised is determined by the Executive Committee), and derivatives options are always exercised during March of each year;
- Shares acquired in this manner are not subject to any clause restricting the holder's right to sell them, contrary to the options which cannot be transferred in a business transaction between living persons (should the beneficiary die, only the right to be freed from the respective options is transferred to the heirs, which means the right to receive the amount comprising the difference between the price of exercising the right over the said shares and the market price on the date of death);
- The plan and its regulations may be revoked or altered at any time, by decision of the Remuneration Committee, without prejudice to maintaining the options already allocated.

The Remuneration Committee's main alterations to the *Stock Options Plan* (valid for 2004 and following years) in March 2004 now means that the committee reserves the power to revoke or alter the Plan and respective Rules, to decrease the minimum price for exercising each year's options from eighty-five percent to seventy-five percent of the reference quotation price and to extend automatic expiry of the options assigned and still not exercised to situations in which the respective employee resigns.

In 2004 a total of 295,600 initial options, to be exercised between May 14 and May 21, were granted under this Plan to 195 directors and employees of the Group. Of these, 154 exercised their option rights in full or in part at a unit price of 3.20 euros, totalling 266,000 shares. Therefore, from 2005 to 2007, inclusive, a maximum of 798,000 derived options may be exercised at that price in respect to this series.

OPTIONS GRANTED, THAT MAY BE EXERCISED AND EXTINGUISHED

In relation to the Series 2002 options, of the 21,725 derived options that could be exercised in 2004 for 3.70 euros/share, only 6,200 options were exercised whilst the other 15,525 were extinguished. Of that series, there are still 21,725 options that may be exercised at the same unit price as in 2005.

In the Series 2003, of the 194,310 derive options that could be exercised in 2004, at 2.84 euros/share, 181,850 were exercised and the remaining 12,460 shares were extinguished. Still regarding this series, a staff member who resigned from the CIMPOR Group also exercised, as allowed by the previous Rules, a total of 800 derived options that, in another situation, could be exercised only in 2005 and 2006. Another three staff members who, in the meantime left the Group, decided to immediately redeem the respective rights (totalling 4,600 derived options). Consequently, the Series 2003 still has 383,220 shares in derived options at the same price and that may be exercised in 2005 and 2006.

In summary, and with reference to the year 2004:

Series	Options Granted		Exercisable	Exercised	Other Extinct Option	
	Initial	Derived	Options	Options	Initial	Derived
2002	---	---	21,725	6,200	---	15,525 (1)
2003	---	---	194,310	182,650 (2)	---	12,460 (1)
2004	295,600	886,800	295,600	266,000	29,600 (3)	88,800 (3)
Total	**295,600**	**886,800**	**511,635**	**454,850**	**29,600**	**116,785**

(1) Resulting from the failure to exercise the options expiring in 2004.
(2) Including 800 options exercisable in 2005 and 2006.
(3) Since the initial options granted in 2004 were not exercised.

Therefore, whereas a total of 626,380 shares (of which 216,035 were exercisable in 2004) were required at the beginning of the year to meet the exercise of options granted until that time, the number of shares required at the end of the year to meet the exercise of all options granted in the meantime were as follows:

Series	Options Exercised in:			
	2005	**2006**	**2007**	**Total**
2002	21,725			21,725
2003	191,610	191,610		383,220
2004	266,000	266,000	266,000	798,000
Total	**479,335**	**457,610**	**266,000**	**1,202,945**

1.7. Businesses and Operations between the Company and the Members of its Management and Auditing Bodies, Holders of Qualified Shareholdings or Controlled or Group Companies

As publicly announced on 22 March 2004, The CIMPOR Group reinforced its position in Spain when Corporación Noroeste. S.A. – through Occidental de Hormigones. S.L., whose capital it fully holds – paid 11.4 million euros to acquire 18 ready-mix concrete plants in Andalusia, Extremadura, Leon and Salamanca from Readymix Asland. S.A., which is indirectly held (50%) by the Lafarge Group.

Moreover, since it was decided to found a new Group company to operate a clinker grinding plant on a plot next to the Multipurpose Terminal at the Port of Sines (Mossines – Cimentos de Sines. S.A.), a project described in point 1.7. of Chapter I of the Consolidated Annual Report of 2003, in 2004 the Group revoked the contracts indicated in paragraph b) of the said point, namely:

- TDCIM – Concessão da Construção de Instalações, Exploração, Movimentação e Armazenamento de Cimentos. S.A., transferred its contractual position in a land-use contract to the CIMPOR Group company Estabelecimentos Scial do Norte. S.A. The said contract had been signed by the former company and Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento (IAPMEI);
- The said company signed a promissory sale contract for the said grinding plant, then in the final construction stage by TDCIM (whose name was in the meantime changed to C+PA – Cimento e Produtos Associados. S.A.).

Consequently, two new contracts were signed in 2004:

- A sale contract through which C+PA (on that date holder of a qualified shareholding in CIMPOR) sold the clinker grinding facilities to Mossines for the price corresponding to the costs proven to have been incurred in the respective construction (31,287,173.55 euros);
- A contract granting Mossines, with the consent of IAPMEI/PGS – Sociedade de Promoção e Gestão de Áreas Industriais e Serviços. S.A., the contractual position of C+PA in the aforementioned land-use rights contract.

Lastly, a joint venture was established between the Group's Brazilian companies – Companhia de Cimentos do Brasil, Companhia de Cimento Atol and Companhia Paraíba de Cimento Portland (Cimepar) – and Lafarge Brasil, restricted within Brazil's territory and based on the founding of a new company – Eco-Processa – Tratamento de Resíduos. Lda. – held in equal parts by both Groups. This new company will collect industrial waste to be used as raw material or eliminated in the respective kilns as an alternative fuel.

Other than these operations, neither CIMPOR – Cimentos de Portugal SGPS. S.A., nor any of its subsidiary companies carried out any other business operation with members of its administrative or auditing bodies, holders of qualified shareholdings or controlled or group companies, except for some transactions of insignificance to the parties involved, carried out under normal market conditions for similar transactions and in the normal course of the Group's business.

1.8. Investor Relations Office

With a view of ensuring close relations with the capital market, CIMPOR has had an Investor Relations Office since it was listed on the stock market (1994). This office keeps the financial community informed on the evolution of the Group's business and provides support to both current and potential shareholders of CIMPOR – Cimentos de Portugal, SGPS, S.A., in their relations with the company.

Besides the information that may influence the price of shares and disseminated through the CMVM site (www.cmvm.pt), contacts by this office with private and institutional investors, fund managers, asset managers and other collective investment bodies, analysts and others involved in the capital market are maintained by means of presentations (live or via the Internet), meetings and replies to information requests by telephone, e-mail or traditional mail. In addition, disclosure of relevant facts and other information of interest relating with the Group's activities, notices calling shareholders' general meetings, Reports and Accounts and the performance of CIMPOR shares on Euronext are disclosed in the site www.cimpor.pt.

The site, in addition to the said mandatory information stipulated by article 3-A of CMVM Regulation no. 7/2001, also includes the following:

- A detailed report on the company governance structure and practices;
- The CIMPOR Sustainability Report;
- Information on the Group's environmental and R&D policies.

Means of contacting the Investor Relations Office:

Address:	Personal Contacts:	E-Mail:	Telephones:
Gabinete de Relações com Investidores CIMPOR – Cimentos de Portugal, SGPS, S.A. Rua Alexandre Herculano, 35 1250-009 Lisbon PORTUGAL	Filipa S. Mendes	gri@cimpor.pt **Internet:** www.cimpor.pt	21 311 81 00 21 311 88 89 **Fax:** 21 311 88 67

Raúl Tito Rodrigues Caldeira was the Capital Market and CMVM Relations Representative until 30 September 2004. Mr. Caldeira was appointed the holding company's External Relations and

Communication Department Manager and therefore, as of that date, the said position will be held by Filipa Saraiva Mendes.

1.9. Remuneration Committee

On 31 July 2001, the General Meeting elected a Remuneration Committee for the 2001-2004 four-year period, of which only the following two members have assumed their roles and exercise their functions:

- Banco Comercial Português, represented by Filipe de Jesus Pinhal
- António Carlos Calaínho de Azevedo Teixeira Duarte

Both of these Remuneration Committee members are independent of the company's management, under the provisions no. 9 of Chapter I of the Annex to CMVM Regulation no. 7/2001 (with the wording applied to it in CMVM Regulation no. 11/2003).

The Company also provides permanent access, at its own expense, to outside consultants specialised in various fields.

1.10. Auditor's Fees

In 2004, the total cost of services rendered to the CIMPOR Group by its external auditors (Deloitte & Touche), including all individuals or entities belonging to the respective network, amounted to 1,457,031.41 euros, distributed as follows:

a) legal certification of accounts	81.31 %
b) other assurance services	4.69 %
c) tax consultancy services	11.98 %
d) other services other than legal certification of accounts	2.02 %

To safeguard the independence of the said entities, it is expressly prohibited to acquire any type of services susceptible of jeopardising that independence, in particular:

- Accounting and administrative services, such as bookkeeping, the preparation of financial statements or financial information reports, processing of salaries and the preparation of tax returns;
- The conception, design and implementation of management information systems;

- Asset or liability appraisal services that may be recorded in the Group's financial statements;
- Services rendered within the scope of internal auditing;
- Legal consultancy services implying that the entities in question represent any of the Group companies to resolve litigations and disagreements with third parties;
- Services for recruiting and selecting upper technical staff.

Moreover, acquiring services from the external auditor or from entities belonging to the respective "network," both in Portugal and in the various countries where the Group operates, is subject to a number of rules laid out by the holding company and notified to all the Group companies. Therefore, besides the impediment of contracting the aforementioned services, also note that:

- The entities in question must always show ability, credentials, resources and comparable advantages over third parties in regards to the rendering of the services in question;
- Proposals to render services submitted by those entities are analysed and assessed – and, whenever possible, compared with services of competitors – by the person in charge of the area (or company) requiring the said services and, subsequently, depending on the proposal amount, by the director of the respective department or by the Executive Committee, responsible for deciding whether to award the contract.

2. Exercise of Voting Rights and Shareholder Representation

CIMPOR has always encouraged shareholders to use their voting rights by allowing them to vote by correspondence and by encouraging them to participate at General Meetings.

With regard to voting by correspondence, CIMPOR has provided a draft ballot form via Internet for voting purposes, although it will accept any ballot sheet that clearly and unmistakeably expresses the shareholder's wishes. For this purpose, the procedures to be adopted and the calendar to be adhered to – the declaration must be received by the Chairman of the Meeting Board by the end of second business day prior to the General Meeting – are clearly set out in all the notices calling the General Meeting.

To stimulate shareholder participation at General Meetings, the notices calling the meetings stipulate the general rules set forth by law and in the articles of association concerning this participation and the exercise of voting rights. In particular, and consequent to amendments to the articles of association approved at the General Meeting of 14 May 2004:

- Shareholders with voting rights may attend General Meetings, and one vote shall be granted for each five hundred shares (shareholders with less than five hundred shares may form a group to attain this limit).
- Shareholders may be represented, for which they must deliver the necessary representation instruments to the Meeting Chairman until 17 hours on the third business day prior to the respective General Meting.
- Shareholders may take part in General Meetings and may vote by correspondence, provided they hold at least five hundred shares that must be registered in their name no later than five business days prior to the date of the General Meeting and remain registered thus until the Meeting is closed; and shareholders shall provide proof of their voting rights to the General Meeting Chairman through a declaration issued by the respective financial intermediary no later than three days prior to that date.
- No shareholder, except for the State or equivalent entities for that purpose, may cast countable votes on their behalf or in representation of another where they exceed ten per cent of all votes corresponding to the share capital.

During the fifteen days prior to the General Meeting, shareholders may consult the information indicated in Article 289 of the Companies Code at the Company's registered office during business hours, a fact that has also been mentioned in the respective meeting notice.

Given the current degree of concentration of CIMPOR's shareholder structure, the use of other electronic means for voting at General Meetings has not been considered necessary, other than the mechanisms provided via Internet for voting at General Meetings.

3. Company Rules

3.1. The Company's Codes of Conduct

In addition to the legal provisions applicable to commercial companies, to public limited companies and to securities markets, the company's culture and practice lends emphasis to rules of good conduct in the event of a conflict of interests between the members of the governing bodies and the company and to the principal obligations arising from the duties of diligence, loyalty and confidentiality of the members of the governing bodies, particularly with regard to improper use of company property and business opportunities.

The Board of Directors has also ensured the application of these principles at all Group companies.

The system arising from the law and from the said Company culture and practices has shown to be adequate in dealing with conflicts of interest, confidentiality and incompatibility, and no need has been seen to implement other complementary instruments to discipline such measures other than the setting up of the aforementioned In-house Advisory Committee of the Board of Directors regarding Corporate Governance (see point 1.2 above).

3.2. Risk Control in the Company's Business

At the level of the holding company, and in addition to the Corporate Centre – that, among other tasks, is in charge of managing financial and asset risks (described in point 7.2. of chapter II of this report) – the Group also has an Internal Audit Department in charge of ensuring the adequacy and effectiveness of the internal control systems in all the Group's areas and also for ensuring good performance by the said systems.

In particular, this Department performs the following:

- Performs financial, administrative and asset audits.
  - certifies the results in view of the strategy and goals;
  - examines and ensures that there is compliance with policies, with established plans and with applicable procedures, laws and regulations;
  - checks the powers and responsibilities laid out within the Group and the respective level of formalisation;
  - monitors the development or alteration of operations, programs, systems and controls;
  - checks the custody, physical existence and valuation criteria of the assets;
- Performs operational audit tasks (in particular in the marketing, production, investment, conservation and personnel areas).
  - assesses the level of the respective management control;
  - recommends corrective measures deemed convenient;
  - checks whether the previously reported deficiencies were properly corrected;
- Audits the computer system.
  - assesses the reliability and integrity of the information and of the various means used to identify, process and disclose it;
  - analyses the existing information systems, particularly in terms of security, basic programmed controls and the updating of user manuals.

3.3. Measures Susceptible of Interfering in the Success of Takeover Bids

As stated in point 2 above, no shareholder, with the exception of the State or any legally equivalent entities for that purpose, may cast votes in their own name or in representation of others that exceed ten per cent of the total votes corresponding to the share capital (no. 5 of article 7 of the Articles of Association).

Although at times pointed out as a measure that would hamper the launching of Takeover Bids and, as such, unfair to the interests of partners and the company, the truth is that the regulation in question (common in many listed companies in various European Union countries) is a strong incentive whereby any operations to acquire control must meet conditions that are widely and generally favoured by shareholders. The said measure is also an important mechanism to increase shareholder democracy, independently of speculative and abstract judgements about the greater or lesser interest of potential bidders.

The only restrictions on the transfer of shares are those covering the shares held by Teixeira Duarte – Engenharia e Construções, S.A., consequent to the public tender for the last privatisation stage of CIMPOR and that prevented these shares from being traded until three years have elapsed since the said tender (August 2001). Once this period has expired, and when the shares are listed again, on 24 November 2004, all CIMPOR shares representing its share capital will be freely traded on the stock exchange.

Lastly, no shareholder has special rights and there is no knowledge of any extra-company agreements between CIMPOR shareholders.

4. Management

4.1. Characterisation of Management

In accordance with the articles of association, the Board of Directors consists of five to fifteen members, one of whom is the chairman and the others members. The Board of Directors is elected at the General Meeting, which also appoints the chairman. Like the other corporate offices, the Board of Directors is elected for a four-year term and is eligible for re-election.

The Board of Directors in office at the start of 2004, elected for the four-year period from 2001 to 2004, consisted of the following members:

- Ricardo Manuel Simões Bayão Horta – Chairman
- Luís Eduardo da Silva Barbosa

- Jacques Lefèvre
- Jean Carlos Angulo
- Jorge Manuel Tavares Salavessa Moura
- Luís Filipe Sequeira Martins
- Manuel Luís Barata de Faria Blanc
- Pedro Maria Calaínho Teixeira Duarte
- João Salvador dos Santos Matias
- Manuel Ferreira

In addition to these members, and consequent to the respective election (by proposal of minority shareholders) at the General Meeting of 31 July 2003, the Board of Directors also included Vicente Árias Mosquera who, only about one year later, filled the position to which he was elected after the court annulled the precautionary measure filed by Secilpar. S.L., to suspend the decisions approved at the said meeting.

Following Manuel Ferreira's request to resign from the Board, at the Board of Directors meeting on 24 November 2004, it was unanimously decided to accept the said request in accordance with article 393 of the Companies Code. The Board of Directors also unanimously decided to replace the said member by cooption and thus appointed Manuel Roseta Fino to fill the position until the end of the mandate.

As recommended by modern international corporate governance guidelines, most of the current members of the Board of Directors (six in a total of eleven), including the respective Chairman, are non-executive directors. The Board consists of the following members:

- Ricardo Manuel Simões Bayão Horta – Chairman
- Luís Eduardo da Silva Barbosa
- Jacques Lefèvre
- João Salvador dos Santos Matias
- Vicente Árias Mosquera
- Manuel Roseta Fino

The other five directors comprise the Executive Committee, as follows:

- Pedro Maria Calaínho Teixeira Duarte – Chairman
- Jean Carlos Angulo
- Jorge Manuel Tavares Salavessa Moura
- Luís Filipe Sequeira Martins
- Manuel Luís Barata de Faria Blanc.

In accordance with the criteria set forth in CMVM Regulation no. 11/2003, a director is not regarded as independent if he/she is associated to groups with specific interests in the company. As such, no. 2 of article 1 of the Regulation lists the situations of directors that:

a) Are members of the administrative body of a company that, within the terms of the Securities Code, maintains control over the company;

b) Hold a qualified shareholding equal to or greater than 10% of company's share capital or voting rights, or of the same percentage in a company that maintains control over the former, within the terms of the provisions of the Securities Code;

c) Have an administrative position in or a binding contract with a competitor company;

d) Receive any remuneration from the company, or from other companies over which the former maintains control or belongs to the same group, except payment for performing administrative functions;

e) Are spouses, relatives or similar in a direct line up to the third level, inclusive, of the persons indicated in the previous paragraphs.

In addition to the aforementioned circumstances, in accordance with the Regulation, the governance body must also make a grounded decision on the independence of its members in relation to other concrete circumstances applicable to them, that is, of other types of association to specific groups of interest.

Taking into account the provisions in no. 2 of article 1, the directors Jacques Lefèvre and Jean Carlos ngulo cannot be regarded as independent, if relevance is given to their administrative duties in companies competing with CIMPOR in any of the markets in which the Group operates (although not applicable to Portugal, the Group's main market). Nevertheless, they were nominated and elected at the general meeting and perform their duties on their own behalf and not in representation of any particular shareholder.

On the other hand, it must also be mentioned, for transparency purposes, that the directors Pedro Maria Calaínho Teixeira Duarte and João Salvador dos Santos Matias, although not subject to any of the situations set forth in the said provision of CMVM Regulation no. 11/2003, who have been proposed and elected at a General Meeting on their own behalf (not performing their duties in representation of any particular shareholder), may also be viewed as not independent since they hold administrative positions in a shareholder (Teixeira Duarte – Engenharia e Construções, S.A.) with a shareholding of over 10% in CIMPOR.

The previous paragraph, with the necessary adaptations, is also applicable to director Manuel Roseta Fino who performs administrative duties at the company Manuel Fino, SGPS, S.A., which controls the shareholder TDP, SGPS, S.A. (whose name has changed to Investifino – Investimentos e Participações, SGPS, S.A.), which has a 11.3% shareholding in CIMPOR.

All the other directors are independent, under any criteria. Therefore, both the Board of Directors and the Executive Committee have a clear majority of members regarded as independent.

Positions Held by Members of the Board of Directors

On 31 December 2004, the following members held positions in other companies:

Ricardo Manuel Simões Bayão Horta

Chairman of the Board of Directors of CIRES, S.A.
Chairman of the Audit Committee of Banco Comercial Português, S.A.
Chairman of the Audit Committee of Banco Comercial Português de Investimento, S.A.
Chairman of the Board of Directors of Atlansider, SGPS, S.A.

Luís Eduardo da Silva Barbosa

Chairman of the Board of Directors of Eurovida – Companhia de Seguros de Vida, S.A.
General Agent in Portugal for the agency Abeille Vie – Société Anonyme d'Assurances Vie et d'Assurances Vie et Capitalisation
Chairman of the Board of Directors of ADI – Administração de Investimentos, S.A.
Chairman of the General Meeting Board of Bayer Portugal, S.A.
Chairman of the General Meeting Board of APA – Associação Parque Atlântico
Manager of Silva & Barbosa – Consultores Internacionais de Gestão, Lda.
President of the Humanism and Development Institute
Director of the Amélia da Silva de Mello Foundation
Director of the Oliveira Martins Foundation
Director of the Portugal Africa Foundation
Consultant of the Somelos – Indústrias Têxteis Group
Representative of Shareholoders in Banco Português de Investimentos

Jacques Lefèvre

President of the Supervisory Board of Compagnie Fives Lille
Non-executive Deputy-Chairman of the Lafarge Group
Director of Cementia Holding, A.G.
Director of Lafarge Asland, S.A.
Director of Cementos Molins, S.A.
Director of Société Nationale d'Investissements au Maroc
Director of Petrokazakhstam Inc.
Co–President of France – Philippines Business Council
Co–President of France – Morocco Business Council

Jean Carlos Angulo

Assistant General Manager of the Lafarge Group
Deputy-Chairman of Lafarge Ciments
Director of Lafarge Asland, S.A.
President of CTEO (Lafarge Group)
Deputy-Chairman of Lafarge Maroc
Director of Lafarge Adriasebina
Director of CEMBUREAU – European Cement Association

Jorge Manuel Tavares Salavessa Moura

Chairman of the Board of Directors of CIMPOR Portugal, SGPS, S.A.
Chairman of the Board of Directors of CIMPOR Inversiones, S.A.
Chairman of the Board of Directors of CIMPOR Internacional, SGPS, S.A.
Chairman of the Board of Directors of CIMPOR Investimentos, SGPS, S.A.
Chairman of the Board of Directors of CIMPOR – Indústria de Cimentos, S.A.
Chairman of the Board of Directors of CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A.
Chairman of the Board of Directors of Cimpship – Transportes Marítimos, S.A.
Chairman of the Board of Directors of Geofer – Produção e Comercialização de Bens e Equipamentos, S.A.
Chairman of the Board of Directors of CIMPOR Imobiliária, S.A.
Chairman of the Board of Directors of Estabelecimentos Scial do Norte, S.A.
Chairman of the Board of Directors of Sacopor – Sociedade de Embalagens de Sacos de Papel, S.A.
Chairman of the Board of Directors of Prediana – Sociedade de Pré-Esforçados, S.A.
Chairman of the Board of Directors of CTA – Comércio Internacional, S.A.
Manager of Kandmad, SGPS, Lda.
Manager of Vilaje – Vigas e Lajes Pré-Esforçadas, Lda.
Manager of Mecan – Manufactura de Elementos de Casas de Construção Normalizada, Lda.
Chairman of the Board of Directors of Asment de Témara, S.A.
Chairman of the Board of Directors of Betocim, S.A.
Director of CJO – Société des Ciments de Jbel Oust, S.A.
Director of Amreyah Cement Company, S.A.E.
Director of Amreyah Cimpor Cement Company, S.A.E.
Director of Cement Services Company, S.A.E.
Director of Cimpor Sacs Manufacture Company, S.A.E.
Director of Natal Portland Cement Company (Pty) Limited
Chairman of the Board of Directors of CIMPOR Brasil, S.A.

All these companies are part of the CIMPOR Group

Chairman of the Executive Committee of ATIC – Associação Técnica da Indústria do Cimento

Luís Filipe Sequeira Martins

Director of CIMPOR Portugal, SGPS, S.A.
Deputy-Chairman of the Board of Directors of CIMPOR Inversiones, S.A.
Director of CIMPOR Internacional, SGPS. S.A.
Director of CIMPOR Investimentos, SGPS. S.A.
Chairman of the Board of Directors of Betão Liz, S.A.
Chairman of the Board of Directors of CIMPOR Betão, SGPS, S.A.
President of CIMPOR TEC – Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A.
Manager of Vermofeira – Extracção e Comércio de Areias, Lda.
Manager of Kandmad, SGPS, Lda.
Chairman of the Executive Committee of Corporación Noroeste, S.A.
Chairman of the Board of Directors of Cementos de Andalucía, S.L.

Chairman of the Board of Directors of Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A.
Director of Asment de Témara, S.A.
Director of CJO – Sociéte des Ciments de Jbel Oust, S.A.
Chairman of the Board of Directors of Amreyah Cement Company, S.A.E.
Chairman of the Board of Directors of Amreyah Cimpor Cement Company, S.A.E.
Chairman of the Board of Directors of Cement Services Company, S.A.E.
Chairman of the Board of Directors of Cimpor Sacs Manufacture Company, S.A.E.
Director of Natal Portland Cement Company (Pty) Limited
Director of CIMPOR Brasil, S.A.

All these companies are part of the CIMPOR Group.

Deputy-President of *Comité de Liaison* da CEMBUREAU – European Cement Association

Manuel Luís Barata de Faria Blanc

Director of CIMPOR Portugal, SGPS, S.A.
Deputy-Chairman of the Board of Directors of CIMPOR Inversiones, S.A.
Director of CIMPOR Internacional, SGPS, S.A.
Director of CIMPOR Investimentos, SGPS, S.A.
Director of CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A.
Manager of Kandmad, SGPS, Lda.
Director of Asment de Témara, S.A.
Chairman of the Board of Directors of CJO – Société des Ciments de Jbel Oust, S.A.
Chairman of the Board of Directors of CEC – Cimpor Egypt for Cement, S.A.E.
Director of Amreyah Cement Company, S.A.E.
Director of Amreyah Cimpor Cement Company, S.A.E.
Director of Cement Services Company, S.A.E.
Director of Cimpor Sacs Manufacture Company, S.A.E.
Chairman of the Board of Directors of Cimentos de Moçambique, S.A.R.L.
Chairman of the Board of Directors of Imopar – Imobiliária de Moçambique, S.A.R.L.
Chairman of the Board of Directors of Natal Portland Cement Company (Pty) Limited
Chairman of the Board of Directors of CIMPOR Reinsurance, S.A.
Deputy-Chairman of the Board of Directors of CIMPOR Brasil, S.A.
Director of Companhia de Cimentos do Brasil
Director of CIMPOR Finance, Ltd.

All these companies are part of the CIMPOR Group.

Pedro Maria Calaínho Teixeira Duarte

Director of Teixeira Duarte – Engenharia e Construções, S.A.
Director of Teixeira Duarte – Engenharia e Construções (Macau), Lda.
Director of PASIM – Sociedade Imobiliária, S.A.
Manager of EPOS – Empresa Portuguesa de Obras Subterrâneas, Lda.
Manager of F+P – Imobiliária, Lda.
Manager of Hipus – Sociedade Hípica e Turística da Bela Vista, Lda.

Member of Senior Board of Banco Comercial Português, S.A.
Member of the General Board of EIA – Ensino. Investigação e Administração, S.A.

João Salvador dos Santos Matias

Director of Teixeira Duarte – Engenharia e Construções, S.A.
Director of Tedal, SGPS, S.A.
Director of Alto da Peça – Imobiliária, S.A.
Director of Heather Properties, SGPS, S.A.
Director of BEL – E.R.E. – Engenharia e Reabilitação de Estruturas, S.A.
Director of ESTA – Gestão de Hóteis, S.A.
Director of Bonaparte – Imóveis Comerciais e Participações, S.A.
Director of CPE – Companhia de Parques de Estacionamento, S.A.
Director of EVA – Sociedade Hoteleira, S.A.
Director of Mercapetro – Produtos Petrolíferos, S.A.
Director of Petrin – Petróleos e Investimentos, S.A.
Director of S. Luís de Maranhão – Gestão Imobiliária, S.A.
Director of Sinerama – Organizações Turísticas e Hoteleiras, S.A.
Director of Soprocine – Empreendimentos Imobiliários, S.A.
Director of Tratado – Sociedade Imobiliária e de Gestão, S.A.
Director of TDGI – Tecnologia de Gestão de Imóveis, S.A.
Director of VTD – Veículos Automóveis, S.A.

Vicente Árias Mosquera

Deputy-Chairman of the Board of Directors of CIMPOR Group Banco Pastor, S.A.
Chairman of the Board of Directors of Inversiones Ibersuizas, S.A.
Director of Inver-alia, S.L.
Deputy-Chairman of the Board of Directors of Fundación Galicia-Europa
Chairman of the Board of Directors of Escuela de Enseñanza Social de Galicia
Chairman of the Board of Directors of Centro Galego de Arte Contemporánea
Director of Fundación Juana de Vega
Director of Fundación Camilo José Cela
Member-Secretary of the Board of Directors of Fundación Pedro Barrié de la Maza

Manuel Roseta Fino

Chairman of the Board of Directors of Fino Participações, SGPS, S.A.
Chairman of the Board of Directors of Manuel Fino, SGPS, S.A.
Chairman of the Board of Directors of Carfino, SGPS, S.A.
Chairman of the Board of Directors of Snucker – Confecções, S.A.
Chairman of the Board of Directors of Déessepor – Distribuição de Cosméticos, S.A.
Chairman of the Board of Directors of Predifino – Sociedade Imobiliária, S.A.
Chairman of the Board of Directors of Quinta da Ramada Imobiliária, S.A.
Chairman of the Board of Directors of Quinta da Ramada Agrícola, S.A.
Chairman of the Board of Directors of Imoban – Imobiliária do Ancão, S.A.

4.2. Executive Committee

In 2001, the Board of Directors decided to retain the tradition of an Executive Committee and elected a committee with five members who were delegated all the powers of the Company's day-to-day management, except for decisions that cannot be legally delegated, as set forth in Point 4.3. hereunder.

As previously indicated, the Executive Committee consists of the following five directors:

- Pedro Maria Calaínho Teixeira Duarte
- Jean Carlos Angulo
- Jorge Manuel Tavares Salavessa Moura
- Luís Filipe Sequeira Martins
- Manuel Luís Barata de Faria Blanc

The three last directors are independent under any criteria, and the two first directors are subject to the aforementioned considerations (see point 4.1. above).

The Executive Committee – chaired by Pedro Teixeira Duarte, who, when necessary, is substituted by Jorge Salavessa Moura – cannot deliberate without a majority of its members being present or represented. No more than one director may be represented at any meeting. Deliberations are taken by a majority of those present. During 2004 the Executive Committee met on 46 occasions.

Without prejudice to the collegial exercise of duties delegated to the Executive Committee, each of its members has been especially entrusted with the responsibility of monitoring certain Functional Areas, as indicated hereunder:

- External Relations and Communication, Human Resources, Internal Audit and Legal Affairs – Jorge Salavessa Moura, substituted when necessary by Luís Filipe Sequeira Martins;
- Engineering and Technical Assistance Services to the Group – Luís Filipe Sequeira Martins, substituted when necessary by Jorge Salavessa Moura;
- Corporate Centre, Accounting, Consolidation, Tax Issues and Planning, Control and Information Systems – Manuel de Faria Blanc, substituted when necessary by Jorge Salavessa Moura.

The following members were appointed to liaison with the external entities indicated below:

- Technical Cement Industry Association (Associação Técnica da Indústria do Cimento – ATIC) and other industry associations – Jorge Salavessa Moura, substituted when necessary by Luís Filipe Sequeira Martins;
- CEMBUREAU. "World Business Council for Sustainable Development" (WBCSD) and the Portuguese Association of Ready-mix Concrete Companies (APEB) – Luís Filipe Sequeira Martins, substituted when necessary by Jorge Salavessa Moura;

- Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM), Lisbon Euronext and Audit Committee – Manuel de Faria Blanc, substituted when necessary by Jorge Salavessa Moura.

4.3. Method of Functioning of the Administrative Body

The Board of Directors must meet once per quarter, without prejudice to other interim meetings as deemed necessary. No resolution may be adopted unless the majority of its members is present or represented, and no more than one director may be represented at each meeting. During 2004 the Board of Directors met 7 times.

As mentioned above, the Executive Committee cannot decide on matters legally classified as beyond its scope, within the terms of Article 407, no. 4, of the Companies Code, such as:

- Selecting the Chairman of the Board of Directors, when applicable;
- Co-opting directors;
- Convening General Meetings;
- Annual reports and accounts;
- The posting of bond and the provision of personal or real guarantees by the Company;
- Changes to the registered office and share capital increases;
- Company merger, split and transformation operations.

In addition to these matters that cannot be legally delegated by the Board of Directors, on 3 August 2001 the Executive Committee also decided, by its initiative, to have the Board of Directors meeting make final deliberations about any business, commitments, contracts, agreements and conventions to be signed with shareholders with 2% or more of the share capital of CIMPOR whenever the said issues are regarded as of special relevance because of their nature or respective monetary value.

The following procedures have been created to ensure that all members of the Board of Directors are aware of the decisions made by the Executive Committee:

- The minutes of Executive Committee meetings are distributed to members of the Board of Directors;
- At Board of Directors meetings, the Executive Committee regularly summarises its relevant actions since the previous meeting and provides the directors with additional or complementary clarifications and information as may be requested;
- There are also regulations allowing directors to request the Executive Committee to provide information outside Board meetings.

4.4. Remuneration

Remuneration of the Company's Board of Directors members, and the modes of payment and payments under the complementary retirement or disability pension scheme, are determined by the Remuneration Committee consisting of shareholders elected at the General Meeting. The remuneration may include a variable part established in light of the year's results (pursuant to the terms of no. 6 of article 17 of the Articles of Association – as approved at the General Meeting of 14 May 2004 – and cannot exceed 5% of the said net income.

This means of defining the said variable component ensures that the directors have exactly the same interests as the company, since the company depends on the respective results and on creating value for shareholders.

According to the amendments to the articles of association approved at the said General Meeting, the company may also assign a lifetime retirement pension to directors who terminate their duties whenever the following prerequisites are met:

a) They have acted as executive directors for more than ten years, continuously or in interpolated periods;

b) They have maintained a working contract with or performed administrative duties at the company or dependent companies for over twenty-five years overall, continuously or in interpolated periods.

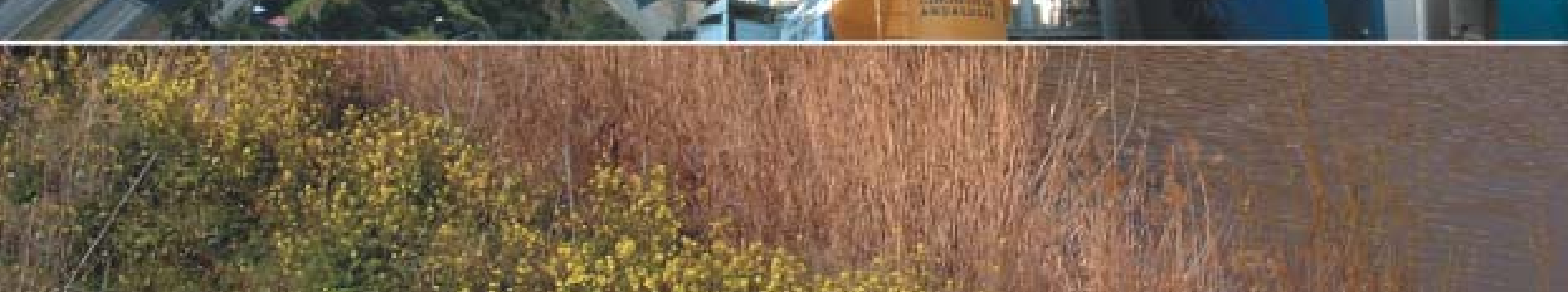
The pension amount shall be determined in view of the time or relevance of the services rendered and the beneficiary's situation, and may be reviewed annually. Determining the respective amount under this criteria (which can never exceed the value of the highest remuneration earned at any time by the directors in office) and determining the other pension terms and conditions (which may be in the form of a contract), shall be determined by the General Meeting (or by the Remuneration Committee, if one exists).

The total amount of the remuneration, contributions to the complementary retirement or disability pension scheme and other incentives earned by the members of the Company's Board of Directors, as a whole, during the year ended on 31 December 2004 was as follows:

(in euros)	Fixed Remuneration	Variable Remuneration	Total Remuneration
Executive Directors	1,139,075.00	1,610,172.90	2,749,247.90
Non-executive Directors	531,175.60	-	531,175.60
Total	**1,670,250.60**	**1,610,172.90**	**3,280,423.50**







2 CONSOLIDATED ANNUAL REPORT

Group Activity

CIMPOR

1. Macroeconomic and Industry Framework

1.1. Global Economy

The global economy began to show clear signs of a recovery in 2004. The world economy grew about 5.0% (the highest since 1976), driven by strong growth in industrialised countries and exceptionally fast expansion in most emerging countries, particularly in China.

In OECD countries, overall economic growth reached nearly 3.6%, a clear improvement over the 2.2% growth in 2003 and 1.6% in 2002. This upbeat trend was led by the USA, with a real GDP growth of 4.4%, and by Japan with a surprising 4% growth. The Euro Zone, greatly dependent on exports and constricted by its Stability and Growth Pact, grew a modest 2.0% (nevertheless, much more favourable than the 0.6% growth in 2003).

Countries such as China, Brazil and Russia – with a GDP growth of 9.2%, 4.5% and 6.0%, respectively – had the greatest impact on global economic growth and were the driving force behind the higher (9.5%) international trade.

Demand for and prices of most commodities, particularly oil, rose sharply whilst supply suffered some setbacks, particularly in the last months of the year. Inflation was, nevertheless, kept in check by a surplus production capacity in many countries and by somewhat lower profit margins that were offset by productivity gains, lower wage increases and growing corporate profits, particularly in the USA.

In 2004, even though the American Federal Reserve increased key lending rates by 125 bp – as of late June – the dollar still fell about 8% against the euro, which closed above 1.36 dollars. Persistent deficits in the USA (particularly the foreign trade balance, which reached a new all-time record in October) seem to have sent the US dollar on its downward slide, raising growing concerns about the inevitable depreciation of the American dollar.

1.2. Economic Environment in Countries where the Group Operates

1.2.1. Portugal

After having fallen 1.3% in 2003, Portugal's GDP rose by nearly 1.1% in 2004, but still clearly below the Euro Zone average. After a very promising first half – in which consumption, investment and exports shot up – the latter six months were discouraging. The second half of 2004 was marked by a combination of adverse factors: a lack of extraordinary economic boosts (such as the Euro 2004); weak real wage gains and job creation to maintain the previous consumption growth rate; and a weak response to higher foreign demand that would have compensate its weak domestic market. Consequently, the Portuguese economy remained stagnant.

There were other worrisome factors: the public deficit (not including extraordinary revenue) greatly exceeded the EU Stability and Growth Pact ceilings; growing private consumption called for greater financing from abroad and led to lower personal savings; and Portuguese exports lacked a competitiveness edge and continued to lose their market share.

The average annual inflation rate fell from 3.3% in 2003 to merely 2.4% in 2004. Inflation fell in Portugal, as in the Euro Zone countries, because of the weak American dollar that, consequently, cushioned high oil prices.

1.2.2. Spain

Although Spain's economy in 2004 failed to reach the official mid-year forecasts, it clearly performed well: GDP growth reached 2.7%, substantially higher than in the Euro Zone and 0.2% higher than in the previous year.

Moreover, economic growth was much more balanced than in the recent past, since it benefited from a strong recovery in investment on equipment goods (4.9% more than in 2003), whist private consumption and investment in construction continued to rise. Exports decreased slightly in tune with the slow recovery in the Euro Zone, whereas imports rose sharply as domestic demand shot up.

Within this setting, the number of jobless fell by over 41,000 (figures not seen since 2000) and the inflation rate remained relatively high (3.0%).

1.2.3. Morocco

In 2004, Morocco's real GDP growth reached 3.5% (one half percent more than officially forecast), mostly due to an excellent agricultural season, which allowed the primary sector to improve by 6.8%. This growth, combined with a 22.5% growth in tourism revenue and high remittances from emigrants, dampened the negative effect of the falling trade balance.

Through the creation of 520,000 jobs (half of which in the primary sector), the unemployment rate fell from 12.3% to nearly 11%. The inflation rate remained below or very near 2%, thereby favouring stable interest rates and higher lending (particularly housing loans).

1.2.4. Tunisia

In 2004, Tunisia's economy grew by 5.8%, reflecting the good performance by most sectors, particularly in farming, food processing, mechanical and electricity sectors and transport, telecommunications and tourism services. Investment rose by about 6.5%, which consequently created 75,000 new jobs.

Tunisia's foreign trade balance improved, as exports grew 16.6%, emigrant remittances increased 13.2% and tourism revenue (in foreign currency) shot up 17.7%, whereas growth in imports remained at 13%.

The budget deficit fell from 3.2% of GDP to merely 2.5%, and the annual inflation rate rose from 2.8% in the previous year to 3.5% in 2004, mostly due to more expensive oil-related products (with two successive increases totalling nearly 24%) and the higher price of electricity (9.9%).

1.2.5. Egypt

In 2004, the Egyptian economy performed clearly better than in the previous year, mostly due to the new government's structural reforms, the substantially improved tourist industry, Suez Canal revenue and emigrant remittances.

GDP rose 3.9% and the inflation rate remains stubbornly high, at about 5%.

After the government's unsuccessful attempt to freely float the country's currency in the exchange rate market (in early 2003), the Egyptian pound nearly stabilised against the American dollar. In late 2004, after the government had implemented an interbank market for foreign currency and removed some Central Bank interventionist measures, the Egyptian pound at one time even appreciated and came closer to the black market price of American dollars.

1.2.6. Brazil

Brazil's GDP shot up 5.2% in 2004, after three frustrating years during which the economy grew a mere 1.2% per year on average. Spiralling exports (a record high trade balance surplus of USD 33.7 billion, nearly 36% higher than in 2003), private consumption and, especially, investment (GFCF was forecast to increase nearly 12%) revealed encouraging signs of a new stage of sustained economic growth.

Although inflation remained relatively high (of about 7%), it showed signs of slowing down compared with the previous year. The improvement was brought about by monetary control and by the Brazilian currency's appreciation against the American dollar for the second year running (a near 9% rise from late 2003 to late 2004).

1.2.7. Mozambique

In Mozambique, during a year of general elections, GDP grew 8.6%, greatly boosted by higher public investment in major road and railway renovation projects.

The inflation rate fell from 13.5% in 2003 to slightly over 9% in 2004, partly due to the lower inflation rate in the neighbouring South Africa (from where Mozambique imports most of its food products) and by the metical's surprising appreciation against the American dollar and euro, by 25% and 15%, respectively).

1.2.8. South Africa

In South Africa, the GDP growth of 3.7% (nearly one percentage point more than in the previous year), the lower unemployment rate, the Central Bank's lower intervention rate (although marginally lower) and the expected hosting of the World Football Championship created a very optimistic atmosphere that boosted investor confidence to the highest rates since 1998.

The rand's 17% appreciation against the dollar in 2004 – on top of the 30% appreciation in 2003 – greatly curtailed exports but certainly brought inflation rates down (from 6.8% in 2003 to a forecast 4.3% in 2004).

1.3. Evolution of the Cement Sector

World cement consumption in 2004 reached about 1,970 million tons, nearly 5% more than in the previous year. Consumption was greatly boosted by Asian countries, where consumption rose over 6%, and by East European and Latin American countries.

Consumption was not uniform throughout Western Europe. In countries such as Spain, France, Italy and the United Kingdom, cement consumption ranged from 1.5% to 3.5%. Cement consumption in other EU countries such as Greece, Portugal and Germany fell considerably (from 2.0% to 5.5%). Although the economy has generally begun to recover, implying greater investment in public works and private buildings, in some of those countries, the somewhat faltering economy was further undermined by the completion of large sports facilities and corresponding infrastructures such as the Euro 2004, in Portugal, and the Olympic Games in Greece.

In East European countries, cement consumption continued to rise sharply (10.0% in Ukraine, 5.2% in Russia, 2.7% in Poland) due to more intense civil construction and public works, the driving force for development in these countries and essential for closing the gap with other European countries.

In North America, whereas Canada's cement consumption fell sharply (from 5% in 2003, to merely 2% in 2004), the United States is expected to have maintained the previous year's growth rate (4.0%).

In Latin America's emerging and developing economies, cement consumption maintained strong growth rates, which in 2004 reached about 5%. Emphasis goes to the particularly strong demand in Argentina and the rebound from years of falling demand in Brazil and Venezuela to increases of 4% and 20%, respectively.

Demand maintained its fast growth in Asia Pacific Rim countries, where over half of the world's cement production was consumed (China alone accounting for nearly 40%). In 2004, cement consumption rose between 5% and 7% in countries such as China, India and Indonesia.

Africa's cement consumption, estimated at 2,8% in 2004, remained below the average consumption in emerging markets – despite strong growth in countries such as Nigeria (9.8%) and South Africa (7.7%).

Lastly, in the Middle East, a region greatly affected by the Iraqi conflict, cement consumption overcame previous years' stagnant demand and grew 4.2% on average.

International cement trade in 2004 decreased significantly, mainly due to a scarcity of ships and the consequently soaring shipping prices and also because of the higher production capacity in countries that were traditionally importers. Nevertheless, countries such as Spain, Italy and the United Kingdom continued to increase cement imports at a very fast pace (between 6% and 7%).

In 2004, although preparations were made for future large-scale mergers and acquisitions, very few actual transactions were carried out. Of these, we highlight CRH's acquisition of 49% in Secil, CIMPOR's acquistion of 49% in Nova Cimangola and Cementir's 100% takeover of Aalborg. The outcome of the 2004 operation to sell all the capital of Loma Negra, the largest cement company in Argentina, is still unknown.

Among the sector's large multinationals, Holcin was particularly active, not only through its policy to acquire control over some companies in Latin America, Asia and East Europe, where it already held minority interests, but also in its takeover bid for the world's largest aggregates company (Aggregates Industries). Cemex also made an offer to acquire RMC, a cement company and the world's largest concrete producer. Both operations reveal a vertical business integration policy and are expected to be completed in 2005.

2. Review of Group Results

2.1. Summary of Overall Business

In 2004, the CIMPOR Group's Consolidated Net Income (after Minority Interests) amounted to 185.9 million euros, practically the same as in the previous year. The group's Return on Equity (ROE) reached 19.3% and also remained practically identical to the 2003 figures (19.5%).

The CIMPOR Group's 2004 business activity was affected by a number of setbacks, in particular falling demand in two of its main markets (Portugal and Egypt), a steep drop in Brazil's cement prices, generally higher energy costs (particularly fuel) and substantially higher maritime transport.

Consequent to these factors – and also due to the growing percentage of exports in Turnover in Portugal (at prices inevitably lower than those in the domestic market and with substantial transportation costs) – the Group's Operating Cash Flow (EBITDA) decreased by nearly 53.8 million euros, with the respective margin falling 4.1% (from 37.7% in 2003 to 33.6% in 2004).

The Portuguese and Brazilian Business Areas saw their respective EBITDA fall by about 35 million euros – a 16.4% drop in Portugal and a 30.4% drop in Brazil. Performance in these countries was, for the aforementioned reasons, the main factor underlying CIMPOR's lower Operating Income. Except for Morocco, where sales prices fell over 7% in local currency) and in Mozambique (which faced many production problems, intensified by the rising transport prices of imported clinker), all the other Business Areas increased their Operating Cash Flow to a greater or lesser extent. This was especially the case in Egypt and South Africa where the Operating Cash Flow rose by 8.3 million euros (+38.8%) and by 8.7 million euros (+27.9%), respectively.

The Group's Consolidated Results

(million euros)

	2004	2003	Chg.	2002
Turnover	1,365.6	1,360.9	0.3 %	1,317.2
Operating Cash Cost	906.9	848.4	6.9 %	805.8
Operating Cash Flow (EBITDA)	458.7	512.5	- 10.5 %	511.4
Depreciation and Provisions	210.5	223.5	- 5.8 %	227.6
Operating Income (EBIT)	248.2	289.0	- 14.1 %	283.8
Financial Income	- 6.5	- 35.5	n/a	- 23.3
Current Income	241.7	253.4	- 4.6 %	260.5
Extraordinary Income	- 5.8	12.3	- 146.9 %	- 38.2
Income Before Income Tax	235.9	265.7	- 11.2 %	222.3
Income Tax	45.5	72.6	- 37.4 %	40.6
Income Before Minority Interests	190.4	193.1	- 1.4 %	181.6
Minority Interests	4.5	7.2	- 37.4 %	5.1
Group's Net Income	**185.9**	**185.9**	**0.0 %**	**176.6**

EBITDA margins have fallen in Portugal and especially in Mozambique and Brazil, due to the aforementioned reasons, and have also decreased in Spain's Business Area (due to its growing focus on concrete production and sales and the sale of imported cement or cement produced with purchased clinker). However, it must be emphasised that these indicators have continued to improve in the Business Areas of South Africa, Tunisia and especially in Egypt (particularly due to higher sales prices and the start-up of a new production line in February 2004).

Operating Cash Flow (EBITDA)

(million euros)

	2004		2003		Change	
Business Areas	Amount	Margin	Amount	Margin	Amount	%
Portugal	175.7	31.3 %	210.1	35.8 %	- 34.4	- 16.4
Spain	88.7	25.1 %	84.2	28.1 %	4.5	5.3
Morocco	24.7	45.3 %	25.4	45.3 %	- 0.6	- 2.5
Tunisia	14.7	27.5 %	13.3	24.3 %	1.4	10.5
Egypt	29.5	44.2 %	21.3	38.4 %	8.3	38.8
Brazil	80.4	40.4 %	115.5	51.7 %	- 35.1	- 30.4
Mozambique	7.9	16.6 %	11.7	27.4 %	- 3.8	- 32.5
South Africa	39.9	45.6 %	31.2	45.1 %	8.7	27.9
Other Activities	- 2.8	-	- 0.1	-	- 2.7	n/a
Total	**458.7**	**33.6 %**	**512.5**	**37.7 %**	**- 53.8**	**- 10.5**

With total Depreciation and Provisions decreasing by about 13 million euros, the Group's Operating Income (EBIT) did not fall, in absolute terms, as much as the Operating Cash Flow, but nonetheless fell slightly more than 14%.

Financial Income improved by about 29 million euros, the majority of which arising from non-recurring income at companies consolidated through the equity method. This improvement was nevertheless mostly annulled by Extraordinary Income that fell nearly 18 million euros. The Group's Net Income was practically identical to that of 2003, despite the said lower Operating Income, mainly because of Lower Income Tax rates. The corresponding savings (of over 27 million euros) – and the lower taxable income – is explained essentially by lower interest rates in Portugal and Egypt and by the somewhat optimised tax situation in Brazil.

Due to the upcoming transition to the International Financial Reporting Standards, and in view of Accounting Directive no. 18, CIMPOR has decided to immediately apply (effective as of 1 January 2004) the provisions of IAS 39 to hedging operations and to the recognition and measuring of its derivative financial instruments. The company has decided on this policy since, although waiving the prior accounting policy, the new method provides a more suitable means of portraying the financial position and the Group's results, whilst moving towards the recommendations of the said standards.

By applying this new policy, Net Income for the year increased 7.2 million euros and the Shareholder's Equity at the year's end decreased 44.9 million euros.

In 2004, cement and clinker sales by the CIMPOR Group – despite the consumption drop in Portugal and particularly in Egypt – amounted to 18.6 million tons, a 1.9% increase over the previous year.

Cement and Clinker Sales

(thousand tons)

Business Areas	2004	2003	Change
Portugal	5,946	5,862	1.4 %
Spain	4,209	3,741	12.5 %
Morocco	852	822	3.6 %
Tunisia	1,477	1,498	- 1.4 %
Egypt	2,275	2,108	7.9 %
Brazil	3,442	3,242	6.2 %
Mozambique	567	595	- 4.6 %
South Africa	1,100	1,033	6.5 %
Total (consolidated)	**18,641**	**18,298**	**1.9 %**

Except for Tunisia (due to lower clinker sales) and Mozambique (due to specific problems at the Matola factory), all the other Business Areas increased their sales volume, even where the market deteriorated. In these cases, lower domestic sales (of 6.3% in Portugal, and of 8.8% in Egypt) were more than compensated by growing exports (including to other Group units) of cement and clinker.

In Spain, the sales volume increased 12.5%, reflecting not only rising cement consumption but also a market share gain. In South Africa, on the contrary, although sales rose substantially (+6.5%), production capacity limitations prevented sales from maintaining pace with the market trend.

Concrete sales rose substantially (10%), particularly in the Spanish Business Area where sales increased over 30% mainly due to the acquisition of new concrete plants.

In contrast, and due to the slumping Portuguese market, the Group's aggregates sales fell 4.0%, despite higher sales in Spain and the start-up of aggregates production in South Africa.

Mortar sales, which have been clearly expanding in the Iberian Peninsula, rose nearly 12% and reached almost 500,000 tons.

Concrete, Aggregates and Mortar Sales

Product / Business Area	2004	2003	Chg.
Ready-mix (1,000 m³)			
Portugal	3,646	3,716	- 1.9 %
Spain	2,17	1,897	32.6 %
Other Business Areas	511	454	12.5 %
Total	**6,674**	**6,068**	**10.0 %**
Aggregates (1,000 ton)			
Portugal	7,610	8,687	- 12.4 %
Spain	3,867	3,504	10.4 %
Other Business Areas	421	206	103.9 %
Total	**11,897**	**12,397**	**- 4.0 %**
Mortar (1,000 tons)	**490**	**438**	**11.9 %**

In 2004, CIMPOR's Consolidated Turnover reached 1,365.6 million euros, slightly higher (0.3%) than in the previous year. Excluding intra-Group transactions, note that the Spanish and South African Business Areas contributed significantly to this indicator by growing 44.8 million euros and 18.4 million euros, respectively. Turnover was also boosted by improved Trading activities (whose turnover more than doubled) and by the Business Areas of Egypt and Mozambique, where sales surpassed those of 2003 by 8.7% and 11.3%, respectively.

Contribution to Turnover *

(million euros)

	2004		2003		Change	
Business Areas	Amount	%	Amount	%	Amount	%
Portugal	509.5	37.3	555.3	40.8	- 45.8	- 8.2
Spain	344.1	25.2	299.3	22.0	44.8	15.0
Morocco	54.5	4.0	56.1	4.1	- 1.5	- 2.7
Tunisia	53.6	3.9	54.9	4.0	- 1.3	- 2.4
Egypt	60.1	4,4	55.3	4.1	4.8	8.7
Brazil	199.1	14.6	223.5	16.4	- 24.4	- 10.9
Mozambique	47.3	3.5	42.5	3.1	4.8	11.3
South Africa	87.5	6.4	69.1	5.1	18.4	26.6
Trading	9.9	0.7	4.8	0.4	5.0	103.6
Consolidated Total	**1,365.6**	**100.0**	**1,360.9**	**100.0**	**4.7**	**0.3**

* Excluding intra-Group transactions

Both Portugal and Brazil contributed substantially less to the Group's Turnover (less 46 million euros and 24 million euros, respectively). These decreases resulted mainly from lower product sales in the Portuguese market and the aforementioned drop in cement prices (by nearly 15%) in the Brazilian market.

From the end of 2003 to the end of 2004, total Employed Capital remained practically unaltered (between 2.5 and 2.6 billion euros). New investment (net) on fixed assets, including goodwill paid in the acquisitions, reached nearly 310 million euros.

Capital Employed (Group)

(million euros)

	2004	2003	2002
Current Assets	457.2	419.8	440.9
(Non-financial Current Liabilities)	(394.2)	(237.0)	(258.8)
Working Capital (net)	63.1	182.8	182.1
Goodwill (gross)	1,293.6	1,250.7	1,256.5
Tangible Fixed Assets (net)	1,217.5	1,193.6	1,300.1
Other Assets (net)	(26.0)	(55.7)	(273.1)
Capital Employed	**2,548.2**	**2,571.3**	**2,465.5**
Financing Debt	1,469.1	1,531.4	1,520.9
(Loans Granted / Liquid Assets)	(239.6)	(292.9)	(372.0)
Net Financial Debt	1,229.4	1,238.5	1,148.9
Provisions for Risks and Charges	145.0	127.9	118.7
Minority Interests	76.3	78.3	88.5
Deferred Tax Liabilities (net)	(52.2)	(22.7)	(25.3)
Accumulated Depreciation of Goodwill	420.7	365.8	300.1
Shareholder's Equity	970.4	960.6	949.6
Subtotal	2,789.6	2,748.5	2,580.5
(Non-Operating Assets)	(241.4)	(177.2)	(115.0)
Capital Employed	**2,548.2**	**2,571.3**	**2,465.5**

The said investments include the construction of a cement grinding plant in Sines (Portugal), the completion of a new production line in Egypt, the purchase of quarries and concrete plants in Portugal, Spain, Brazil and South Africa, the acquisition of a cement grinding plant in Northern Spain and the acquisition of a shareholding (49%) in Angola's largest cement company (Nova Cimangola). Even without taking the latter into account, the CIMPOR Group's total cement production capacity (with own clinker) increased by 1.3 million tons in 2004 to its current capacity of 23.4 million tons/year. Accordingly, the Group's ranking as the 10th largest company in the sector worldwide is not expected to have changed.

The acquisition of a substantial shareholding in Nova Cimangola is of particular importance: In Angola's fast growing cement sector, it is the only company with clinker production and grinding plant (about 15 km from the capital). With a cement production capacity of about 1.3 million tons/year (of which nearly half with its own clinker), Nova Cimangola's 2004 sales volume reached 750,000 tons, for a market share of nearly 80%.

Another factor worth point out, not so much for the respective capital but rather for its strategic importance, is the Group's participation in maritime transport in association with a Spanish company with extensive experience and know-how in that sector. Maritime shipping prices, which had been relatively stable for twenty years, suddenly began rising exponentially in the summer of 2003. By March 2004, maritime shipping prices had nearly tripled the average cost in that said period. Without any signs of change in the horizon, and since the Group is dependent on maritime shipping (which more than doubled costs in about one year), CIMPOR decided to meet part of its shipping needs and thereby cushion the negative effects of the said price hikes. CIMPSHIP – Transportes Marítimos, S.A., was founded and in which the CIMPOR group holds about 60% of its share capital (50,000 euros). This company currently owns two 38,000-ton bulk freight ships assigned full-time to the Group's shipping needs.

Despite the investments and the high rate of dividends paid (over 110 million euros), the Net Financial Debt (of about 1,230 million euros) remained practically the same and continues to represent less than 50% of total Capital Employed.

Free Cash Flow

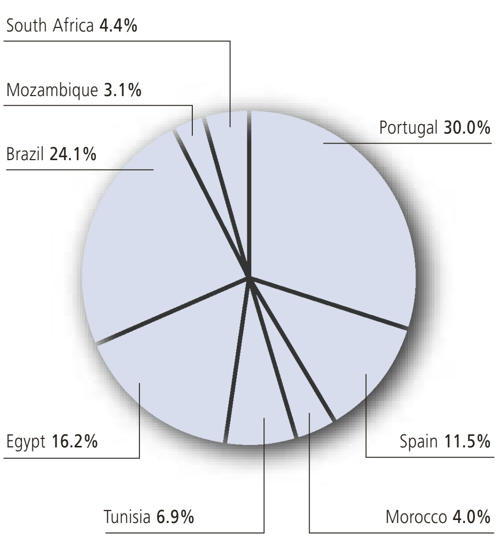
(million euros)

	2004	2003	2002
Operating Income	248.2	289.0	283.8
Depreciation of Goodwill	66.7	65.8	59.0
Adjusted Operating Income	314.9	354.8	342.9
(Taxes on Adjusted Operating Income)	(66.5)	(86.0)	(101.8)
Change in Deferred Taxes	(29.5)	2.6	(58.2)
Adjusted operating Income Net of Taxes	218.9	271.4	182.9
Depreciation of Tang. and Intang. Fixed Assets	131.7	139.3	150.7
Other Operating Non-Cash Costs	14.4	18.9	18.7
Gross Cash Flow	365.0	429.5	352.2
Increase/(decrease) in Working Capital (net)	(3.5)	1.0	(25.0)
Investments (net) in Goodwill	56.3	5.7	303.4
Investments (net) in Tangible Fixed Assets			
Through Acquisitions	38.5	(0.7)	213.5
Others	132.1	149.0	187.7
Incr./(Decr.) in Other Assets (net of Other	32.4	220.8	(237.9)
Gross Investment	255.8	375.9	441.7
Operating Free Cash Flow	109.2	53.6	(89.4)
Other Freed Funds (net of Taxes)	51.8	26.2	152.3
Free Cash Flow	**161.0**	**79.9**	**62.9**
Net Financial Costs (net of Taxes)	34.3	44.0	24.1
(Increase)/Decrease in the Net Financial Debt	6.7	(88.0)	(90.4)
Minority Interests	6.5	17.4	28.1
Distributed Income	115.3	108.3	98.7
Increase/(Decrease) Own Shares	(1.8)	(1.8)	2.4
Free Cash Flow	**161.0**	**79.9**	**62.9**

Lastly, note that the Group's Free Cash Flow increased over 100% even though funds freed by its operating activity fell by nearly 65 million euros (approximately 15%).

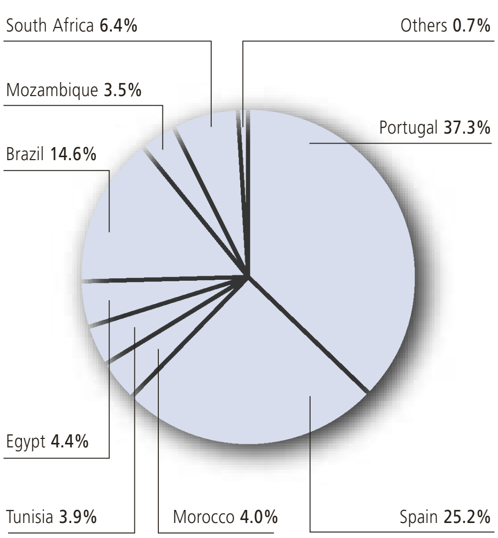
Contribution and Relative Position of the Various Business Areas (2004)

Breakdown of Installed Cement Capacity



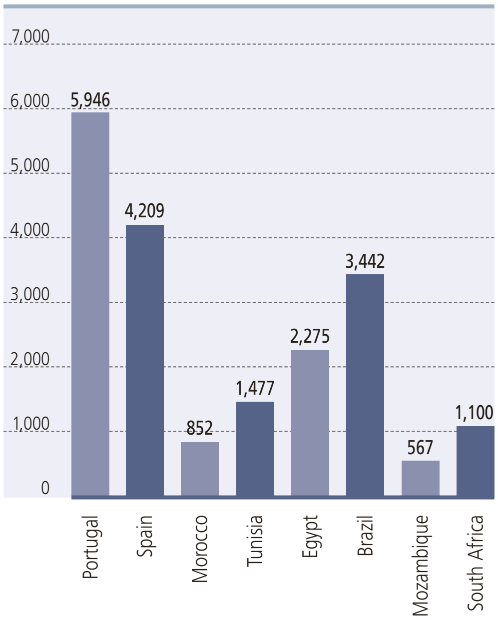
Contribution to Turnover *

Excluding intra-group transactions *

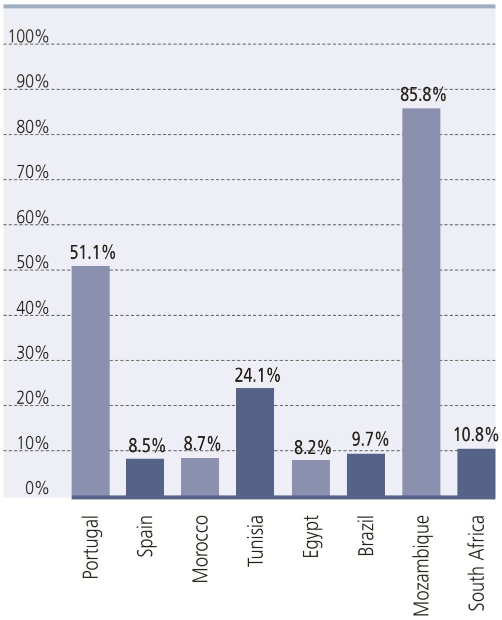


Cement and Clinker Sales

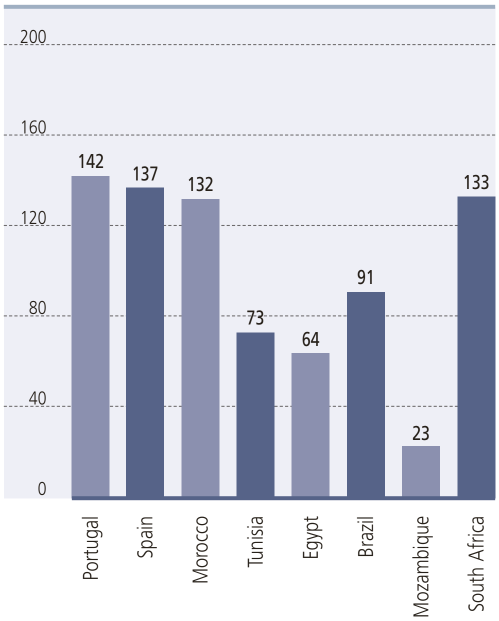
10^3 ton



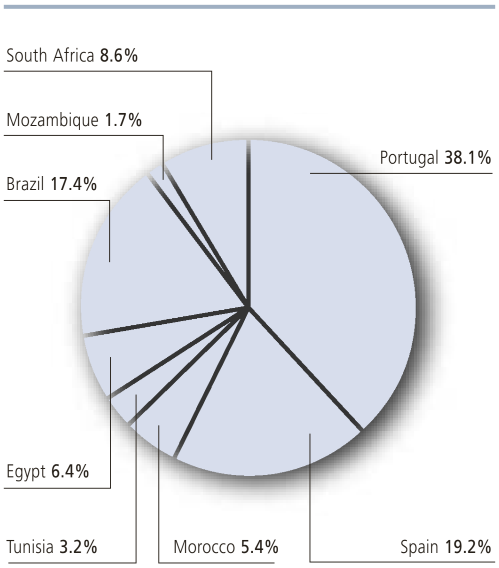
Cement Market Share



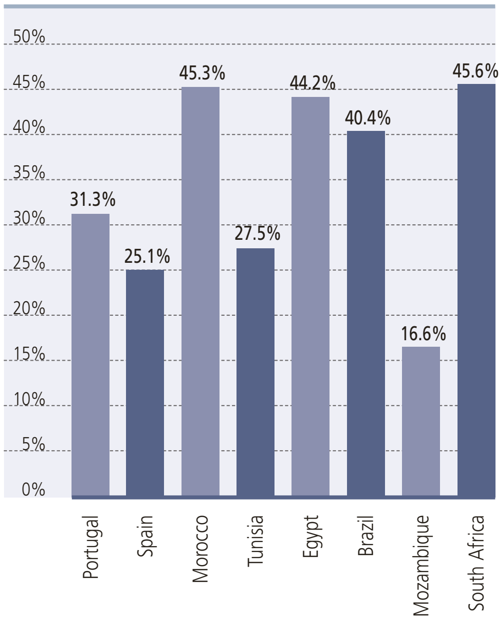
Value Added / Employee 10^3 euros



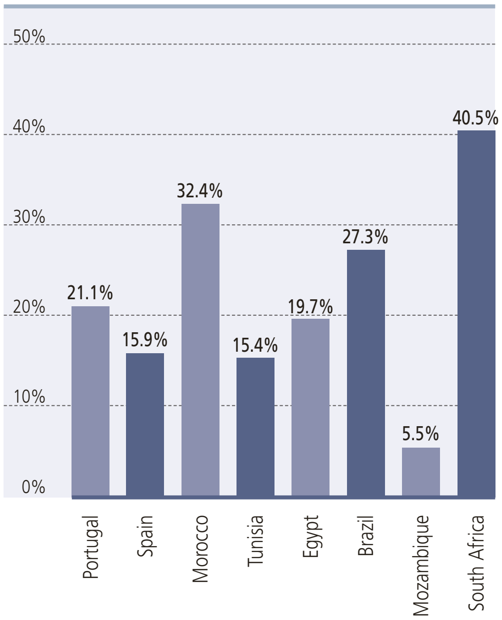
Contribution to Operating Cash Flow



EBITDA Margin



EBIT Margin



2.2. Portugal

In 2004, Portugal's overall production in the construction and public works sector fell 4.7%, for a total accumulated decrease of 18% in the last three years. The public works and civil engineering segment was hardest hit and shrunk by over 6%. On the other hand, the rising demand for housing was still insufficient to revive the residential building segment.

Cement consumption in 2004 fell less sharply and is expected to have decreased by no more than 1%. Although consumption fell 17% since 2002, Portugal still maintains one of Europe's largest consumption rates (slightly under 9.4 million tons/year) per capita (890 kg/habitant), less only than in Luxemburg, Spain, Ireland and Greece.

CIMPOR's domestic sales (without including cement produced in Spain and then sold in Portugal) fell from 5.1 million tons in 2003, to less than 4.8 million tons in 2004, more than the market's overall decrease. However, the overall market was influenced by a high consumption growth in the Autonomous Region of Madeira, which imports a substantial part of its cement needs, thereby causing the Group's share to fall about 2.7%, to about 52.6%, including sales of cement produced in Spain.

Forced to find alternative markets for its surplus production, CIMPOR increased its trading considerably, of both cement and clinker, which in 2004 totalled nearly 1.2 million tons in exports (54% more than in the previous year). Of this volume, nearly 1.0 million tons were shipped to the Group's production and sales units in the Spanish region of Andalusia. Consequently, total sales of cement and clinker produced in Portugal (5,946 million tons) rose nearly 1.4% despite the weaker domestic market.

In the concrete sector, although ready-mix industrial concrete production increased when compared with total cement production, production volumes fell about 6%. Nevertheless, because of the growing competition within the sector – due to less construction work and the emergence of new operators – the Group's sales decreased nearly 2%, to approximately 3.65 million cubic meters.

The aggregates market is estimated to have plummeted 20%, although CIMPOR's sales fell slightly less (12.4%).

The Group's mortar sales, on the contrary, rose sharply (26.7%) and exceeded 180,000 tons, due to more aggressive sales policies and the growing market trend for industrialised solutions.

Within the CIMPOR Group, Portugal has remained the country with the highest relative importance. But, as in the previous year, this importance decreased significantly from 2003 to 2004: in Turnover (excluding intra-Group transactions), from 40.7% to 37.3%; in Operating Cash Flow, from 41.2% to 38.3%; and in the percentage of the Group's Operating Income, from 49.4% to 46.3%.

In 2004, Turnover reached 562 million euros, 4.3% less than in the previous year, consequent to the aforementioned lower sales volume in the domestic market (except for mortar), the lower average prices (by about 5%) of ready-mix concrete and the growing importance of exports, of both cement (at inevitably lower prices than those in Portugal) and of clinker (which, being a semi-finished product, is obviously sold at a lower price).

Portugal Business Area

	Unit	2004	2003 (1)	Chg.
Installed Capacity (2)	10^3 ton	7,000	7,000	0.0%
Use of Installed Capacity (3)		87.1%	82.7%	
Cement and Clinker Sales	10^3 ton	5,946	5,862	1.4%
Market Share (4)		51.1%	54.1%	
Ready-mix Concrete Sales	10^3 m^3	3,646	3,716	- 1.9%
Aggregates Sales	10^3 ton.	7,610	8,687	- 12.4%
Mortar Sales	10^3 ton.	184	146	26.7%
Turnover	10^6 euros	562.1	587.5	- 4.3%
Payroll Expenses	10^6 euros	63.7	62.0	2.8%
Operating Cash Flow (EBITDA)	10^6 euros	175.7	210.1	- 16.4%
Operating Income (EBIT)	10^6 euros	118.8	139.3	- 14.7%
Net Income (5)	10^6 euros	112.9	122.6	- 7.9%
Capital Employed	10^6 euros	422.9	377.6	12.0%
Industrial Investments	10^6 euros	70.5	40.5	74.2%
Employees (31 Dec.)	units	1,666	1,694	- 1.7%
Turnover / Employee	10^3 euros	333	330	1.0%
Value Added / Employee	10^3 euros	142	153	- 7.1%
EBITDA Margin				
Cement		37.7%	43.8%	
Concrete		6.1%	9.7%	
Aggregates		17.3%	18.8%	
Mortar		19.8%	15.4%	
Overall		31.3%	35.8%	
EBIT Margin		21.1%	23.7%	

(1) Adjusted, for comparison purposes
(2) Cement production capacity with own clinker (average during the year)
(3) Clinker production / Installed capacity (clinker)
(4) Cement produced in Portugal
(5) Before Minority Interests

The lower value added of the said exports – resulting from lower prices, higher transport costs, higher energy prices and the falling price of concrete – led to a near 16% drop in the Operating Cash Flow and a near 15% drop in the Operating Income, with the respective margin falling to 31.3% and 21.1%, respectively.

Although EBIT fell by over 20 million euros, the lower income tax rate and substantial non-taxable financial gains allowed this Business Area to obtain a Net Income (before Minority Interests) of about 113 million euros, a decrease of less than 10 million euros compared with 2003.

Among the various investments in 2004 which totalled over 70 million euros, excluding the acquisition of shareholdings in companies within the sector, we highlight CIMPSHIP's acquisition of two new bulk cargo ships, the construction of a clinker grinding plant at the Sines Port and the factory retooling for the production (still in that year) of 35-kg cement bags.

As for concrete, the company maintained its internal restructuring process started in 2001, which involved various merger and shareholding transfer processes within the Group. In the mortar segment, the CE mark was obtained for screed and for the bedding mortar product.

2.3. Spain

Spain's cement consumption reached an all-time record in 2004, totalling 47.8 million tons (3.5% over the previous year), for an accumulated growth of 90% in merely eight years.

As in 2003, this increase was not countrywide. Some regions – such as those where major roadway infrastructures are being built and/or where vacation homes are mushrooming – greatly surpassed the national average (mainly the south region which grew 15.1%). Other regions decreased their cement consumption (such as the northwest region, which fell nearly 4.8%).

The markets where the Group operates – Galicia (2.8 million tons), Andalusia (10.4 million) and Extremadura (1.1 million) – evolved very distinctively: the first fell nearly 1.8%, whereas the others rose by 14.8% and 18.4%, respectively.

Overall, the CIMPOR Group's cement and clinker sales, including about 136,000 tons in exports, totalled 4.2 million tons (12.5% higher than in the previous year), which boosted the Spanish market share to nearly 8.5% (0.7% higher than in 2003).

Sales of ready-mix concrete (32.6% higher), aggregates (10.4% higher) and mortar (12.8% higher) also rose substantially, partly due to the purchase of another 19 concrete plants mainly in the southern region.

This clearly favourable performance led to a consolidated Turnover generated in Spain of over 350 million euros, 18% greater than in the previous year. The Operating Cash Flow, however, did not match this pace, as it increased 4.5 million euros, a rate of 5.3%. This gap was caused by the lower average sale prices of cement and ready-mix concrete in the Galicia Region, by exports that nearly doubled in quantity and by higher cement sales in the south that could not be met by the Cordoba and Niebla factories and were thus achieved by importing more than 500,000 tons from Portugal.

In the Spanish Business Area – because of the aforementioned reasons, combined with Andalusia's growing importance (where margins are lower than in Galicia) and because of a major fire and consequent shutdown of a company quarry – all activities, except for the production and sale of mortar decreased their respective EBITDA margins to a greater or lesser extent.

Spain Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	2,680	2,640	1.5%
Use of Installed Capacity (2)		99.6%	99.5%	
Cement and Clinker Sales	10^3 ton	4,209	3,741	12.5%
Market Share		8.5%	7.8%	
Ready-mix Concrete Sales	10^3 m^3	2,517	1,897	32.6%
Aggregates Sales	10^3 ton.	3,867	3,504	10.4%
Mortar Sales	10^3 ton.	169	150	12.8%
Turnover	10^6 euros	353.8	300.1	17.9%
Payroll Expenses	10^6 euros	43.6	41.2	5.7%
Operating Cash Flow (EBITDA)	10^6 euros	88.7	84.2	5.3%
Operating Income (EBIT)	10^6 euros	56.4	53.2	6.0%
Net Income (3)	10^6 euros	33.4	30.5	9.7%
Capital Employed	10^6 euros	430.0	377.9	13.8%
Industrial Investments	10^6 euros	29.1	27.0	7.9%
Employees (31 Dec.)	units	1,003	940	6.7%
Turnover / Employee	10^3 euros	365	323	13.1%
Value Added / Employee	10^3 euros	137	135	1.2%
EBITDA Margin				
Cement		31.2%	33.3%	
Concrete		2.6%	2.9%	
Aggregates		18.9%	23.6%	
Mortar		29.5%	27.0%	
Overall		25.1%	28.1%	
EBIT Margin		15.9%	17.7%	

(1) Capacity to produce cement with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)
(3) Before Minority Interests

Among the main investments, in addition to the aforementioned purchase of assets in the concrete and aggregates areas, emphasis goes to the construction start-up of a second dry mortar and screed factory near Santiago de Compostela and the acquisition, near the end of the year, of a new quarry in Galicia and of a nearly 54% shareholding in the company Materiales del Atlántico, S.A., which owns a clinker grinding plant in Narón (A Coruña).

2.4. Morocco

In 2004, the Moroccan cement market maintained a healthy growth rate (5.5%), although weaker than in 2003. The construction and public works sector benefited from the national infrastructures building program, the building of more roads, the launching of construction work for the Tangier-Mediterranean port, the boost provided by the government program to do away with hazardous housing and by investments in new tourist areas.

In 2004, contrary to the previous year, Asment de Témara did not commercialise any clinker. Therefore, overall sales did not increase more than 3.6% (but were sufficient to maintain an 8.7% market share). Betocim, on the other hand, increased its aggregates sales by 7.2% whilst its production and sale of ready-mix concrete fell by 3.9%.

Morocco Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	925	870	6.3%
Use of Installed Capacity (2)		94.0%	86.9%	
Cement and Clinker Sales	10^3 ton	852	822	3.6%
Market Share		8.7%	8.7%	
Ready-mix Concrete Sales	10^3 m^3	92.2	95.9	- 3.9%
Aggregates Sales	10^3 ton.	221.0	206.3	7.2%
Turnover	10^6 euros	54.5	56.1	- 2.7%
Payroll Expenses	10^6 euros	4.1	4.7	- 13.6%
Operating Cash Flow (EBITDA)	10^6 euros	24.7	25.4	- 2.5%
Operating Income (EBIT)	10^6 euros	17.7	17.5	1.4%
Net Income (3)	10^6 euros	7.3	11.1	- 34.7%
Capital Employed	10^6 euros	68.6	57.6	19.1%
Industrial Investments	10^6 euros	18.9	8.2	132.0%
Employees (31 Dec.)	units	215	219	- 1.8%
Turnover / Employee	10^3 euros	251	225	11.4%
Value Added / Employee	10^3 euros	132	121	9.6%
EBITDA Margin				
Cement		48.4%	46.7%	
Concrete and Aggregates		10.0%	14.5%	
Overall		45.3%	45.3%	
EBIT Margin		32.4%	31.1%	

(1) Cement production capacity with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)
(3) Before Minority Interests

Since the average price of cement fell by nearly 7% in local currency – consequent to the Moroccan government's new tax to finance the national program to rehabilitate deteriorated housing – consolidated Turnover fell by 2.7%. The Operating Cash Flow, benefiting from savings on personnel costs and from lower energy and fuel taxes, did not decrease by more than 650,000 euros, and thus fell at about the same rate (2.5%). Consequently, the EBITDA margin remained the same as in 2003 (43.5%), despite Betocim's lower profitability.

Consequent to the nearly 200% rise in Income Tax, mostly due to the much higher taxable income (calculated based on local regulations), this Business Area's Net Income decreased by 3.9 million euros.

Since it had nearly reached its installed capacity, in 2004 Asment de Témara made various changes to its production line – including the assembly of a new raw and coal/petcoke grinding mill, the revamping of the cooler and the installation of a new pre-calcinator. Consequently, as of March 2005, the company will increase its clinker production capacity to 800 tons/day.

2.5. Tunisia

Tunisia's consumption of binders (cement and hydraulic lime) totalled about 5.9 million tons in 2004, a 6.7% increase over the previous year. Domestic sales of binders by Ciments de Jbel Oust (CJO) reached 1.43 million tons, a mere 1% gain over 2003 and consequent 1.4% loss in the market share.

Tunisia Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	1,600	1,570	1.9%
Use of Installed Capacity (2)		89.2%	86.9%	
Cement and Clinker Sales	10^3 ton	1,477	1,498	-1.4%
Market Share		24.1%	25.5%	
Turnover	10^6 euros	53.6	54.9	- 2.4%
Payroll Expenses	10^6 euros	2.9	3.3	- 13.0%
Operating Cash Flow (EBITDA)	10^6 euros	14.7	13.3	10.5%
Operating Income (EBIT)	10^6 euros	8.2	4.5	82.3%
Net Income	10^6 euros	8.8	6.3	38.9%
Capital Employed	10^6 euros	114.9	115.1	- 0.2%
Industrial Investments	10^6 euros	8.3	13.3	- 37.9%
Employees (31 Dec.)	units	241	245	- 1.6%
Turnover / Employee	10^3 euros	221	221	- 0.1%
Value Added / Employee	10^3 euros	72	67	8.4%
EBITDA Margin		27.5%	24.3%	
EBIT Margin		15.4%	8.2%	

(1) Cement production capacity with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)

On the other hand, the higher exports (from an almost insignificant amount to about 35,000 tons) were not sufficient to compensate for the lower clinker sales volume. Consequently, CJO's overall sales volume decreased by 1.4%.

The liberalisation of sales prices was once again postponed. As in the previous year, the government chose to increase prices by 6%. Since the price was increased later than usual – combined with the aforementioned lower sales volume and currency depreciation against the euro of almost 7% (mean annual exchange rate) – Turnover decreased to about 53.6 million euros (2.4% less than in 2003).

Despite the lower Turnover, the Business Area's lower personnel costs and progressively improved production system – despite obstacles caused by replacing fuel-oil with petcoke burners – enabled it to increase (10.5%) its Operating Cash Flow by 14.7 million euros, maintaining the trend in previous years. This improvement is clearly shown by the higher EBITDA, which increased from 24.3% in 2003 to 27.5% in 2004, and by the Net Income, which shot up to nearly 9 million euros, nearly 40% higher.

The most noteworthy investments include the alterations to increase the production capacity of the three clinker grinding plants and the completion of the construction work for a coal grinding mill and a new bag palletising system.

2.6. Egypt

After a year in which the Egyptian cement market shrunk 4.8%, in 2004 it once again plummeted another 8.4%. Cement production in 2004 did not exceed 23.55 million tons (a drop of 3.8 million tons in merely two years). As installed capacity became progressively greater than demand, and as the Egyptian pound continued to depreciate against the euro (thereby improving the industry's international competitive edge), as in the previous year, cement and clinker exports skyrocketed to nearly 11.9 tons (52% more than in 2003).

Since exports led to lower domestic supply, sales prices increased significantly in local currency, but not sufficiently to place them at the same level as in other countries in the zone. The higher sales prices were also partly annulled by the sharp rise in transport, energy and fuel costs.

The Group's sales in the Egyptian market fell at the same rate as the market itself, amounting to slightly more than 1.9 million tons. The respective market share was therefore maintained at about 8.2%. On the other hand, when the production line at Amreyah Cimpor Cement Company (ACCC) began operating, it was possible to systematically start exporting large quantities of clinker, which exceeded 300,000 tons in 2004 (shipped to the grinding plant in Huelva). Consequently, overall, cement and clinker sales by the Group units in Egypt increased by nearly 8%, for a production of nearly 2.3 million tons.

This production increase, reinforced by higher average sales prices, even when determined in euros, and which reached 67 million euros, enabled Turnover to increase by more than 20%.

Consequently and also because of the improved performance of the new line and of the ongoing personnel optimisation policy (with less 171 employees in 2004), the Operating Cash Flow, despite the already mentioned deterioration in some production factors, increased nearly 8.3 million euros (a 38.8% increase over the previous year), with the respective margin rising from 38.4% in 2003 to 44.2% in 2004.

Operating Income more than doubled, whereas Net Income (before Minority Interests) rose from a slightly negative figure to a positive figure of about 11 million euros due to the combined effect of improved performance and an adjustment to deferred taxes (due to lower income tax as of 2005).

Among investments in Egypt, the highlight goes to the completion of ACCC's production line, which increased this Business Area's cement production capacity with CIMPOR Group clinker to nearly 3.8 million tons/year.

Emphasis also goes to the founding of a new company that will build and operate a paper bag factory (CIMPSAC – Cimpor Sacs Manufacture Company) and a capital increase (to EGP 2,660 million, using the financing means provided in previous years) of the Group's holding in Egypt (CEC – Cimpor Egypt for Cement).

Egypt Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	3,660	2,390	53.1%
Use of Installed Capacity (2)		62.5%	86.4%	
Cement and Clinker Sales	10^3 ton	2,275	2,108	7.9%
Market Share		8.2%	8.2%	
Turnover	10^6 euros	66.8	55.4	20.7%
Payroll Expenses	10^6 euros	2.2	3.9	- 42.8%
Operating Cash Flow (EBITDA)	10^6 euros	29.5	21.3	38.8%
Operating Income (EBIT)	10^6 euros	13.2	6.3	109.8%
Net Income (3)	10^6 euros	11.0	- 3.9	n/a
Capital Employed	10^6 euros	198.9	197.6	0.6%
Industrial Investments	10^6 euros	7.7	40.9	- 81.1%
Employees (31 Dec.)	units	471	642	- 26.6%
Turnover / Employee	10^3 euros	135	80	68.9%
Value Added / Employee	10^3 euros	64	36	76.7%
EBITDA Margin		44.2%	38.4%	
EBIT Margin		19.7%	11.4%	

(1) Cement production capacity with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)
(3) Before Minority Interests

2.7. Brazil

After three consecutive years of recession, with a real loss of 10%, the Brazilian construction and public works sector finally began showing signs of a recovery that led to an estimated 3% rise in cement consumption. However, this recovery was not uniform or even general: whereas the North and Central West regions rose by about 17% and 15%, respectively, the South and Northeast regions rose by 2% and the Southeast region, where nearly half of total national consumption takes place, fell by more than 3%.

The 2004 year saw fiercer competition in the various markets (especially in the North and Central West regions), new operators in the South, Northeast and Southeast and higher imports in the South region. This scenario led to significantly lower prices throughout most of the country that, in the specific case of the CIMPOR Group, reached nearly 15% in local currency.

The Group's domestic sales (3.36 million tons) increased slightly more than the market itself. The higher sales, combined with greater exports, lead to an overall 6.2% increase in the volume of cement sales. Production and sale of ready-mix concrete (contrary to the mortar sector, also increased substantially (6.6%), with a small contribution from three new plants acquired late in the year.

Brazil Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	5,625	5,100	10.3%
Use of Installed Capacity (2)		57.6%	66.8%	
Cement Sales	10^3 ton	3,442	3,242	6.2%
Market Share		9.7%	9.6%	
Ready-mix Concrete Sales	10^3 m^3	344	323	6.6%
Mortar Sales	10^3 ton.	136	142	- 4.3%
Turnover	10^6 euros	199.1	223.5	- 10.9%
Payroll Expenses	10^6 euros	17.0	17.2	- 1.5%
Operating Cash Flow (EBITDA)	10^6 euros	80.4	115.5	- 30.4%
Operating Income (EBIT)	10^6 euros	54.3	91.6	- 40.8%
Net Income	10^6 euros	58.0	78.4	- 26.0%
Capital Employed	10^6 euros	267.7	261.7	2.3%
Industrial Investments	10^6 euros	7.8	22.0	- 64.6%
Employees (31 Dec.)	units	1,128	1,092	3.3%
Turnover / Employee	10^3 euros	185	207	- 10.3%
Value Added / Employee	10^3 euros	91	123	- 26.1%
EBITDA Margin		40.4%	51.7%	
EBIT Margin		27.3%	41.0%	

(1) Cement production capacity with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)

Due to the aforementioned price reductions (also evident, although to a lesser extent, in the concrete sector) and despite the higher production, the Group's Turnover fell nearly 11% to less than 200 million euros. For the same reasons, the Operating Cash Flow decreased more than 35 million euros (30.4%) and the respective margin fell from nearly 52% in 2003 to slightly over 40% in 2004.

Nevertheless, the higher Financial Income, by about 7.3 million euros, and lower income tax payments, by nearly 70% (due to optimised tax changes) made it possible to cushion the Net Income decrease to about 20.4 million euros.

The takeover bid for the shares of Companhia de Cimentos do Brasil (CCB) was a full success and its status as a public limited company was annulled.

Another highlight was the new partnership with Lafarge Brazil to found a company called Eco-Processa – Tratamento de Resíduos, Lda. In 2005, this new company signed an understanding with an Odebrecht Group company to create a joint venture to manage platforms for sorting, selecting and blending waste to be burned in clinker kilns. This activity, in addition to the said company's own income, will provide substantial savings in fuel imports.

2.8. Mozambique

Cement consumption in all of Mozambique is expected to have fallen by 2%, and not have exceeded 662,000 tons. Cimentos de Moçambique also contributed to this decrease since, at times, it had serious difficulties in supplying customers – either because of the lack of clinker at the grinding plants in Dondo and Nacala or by operational problems at the latter and at the Matola production plant.

Cement sales reached a mere 567,000 tons, 4.6% below the previous year. Sales of ready-mix concrete, which exceeded 53,000 cubic meters, increased over 50%.

The higher cost of imported clinker (due to costlier maritime shipping) drove cement prices up and boosted consolidated Turnover by nearly 11.4%, to 47.3 million euros. Nevertheless, this increase was not sufficient to prevent the Operating Cash Flow from falling over 30% due to the much higher clinker prices (that in some cases shot up more than 70%) and the heavy costs from the successive and long shutdowns of Cimentos de Moçambique's three production units.

Consequently, the EBITDA margin fell nearly 11%, remained below 17% (the lowest rate in the last four years) and clearly contributed to this Business Unit's negative results after it had achieved positive results for the first time in 2003.

The main investments were made to acquire a mobile concrete plant, allowing the unit to obtain contracts outside the capital, the opening of a road to plot 16 of the Salamanga quarry and the work start-up to expand the grinding production capacity at Nacala from 14 tons to 21 tons/hour.

Mozambique Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	725	760	- 4.6%
Use of Installed Capacity (2)		41.1%	47.6%	
Cement Sales	10^3 ton	567	595	- 4.6%
Market Share		85.8%	88.1%	
Ready-mix Concrete Sales	10^3 m^3	53.2	35.4	50.4%
Turnover	10^6 euros	47.3	42.5	11.4%
Payroll Expenses	10^6 euros	3.5	3.6	- 2.3%
Operating Cash Flow (EBITDA)	10^6 euros	7.9	11.7	- 32.5%
Operating Income (EBIT)	10^6 euros	2.6	5.9	- 55.8%
Net Income (3)	10^6 euros	- 3.1	1.0	- 398.7%
Employed Capital	10^6 euros	49.6	60.2	- 17.6%
Industrial Investments	10^6 euros	1.9	1.4	33.2%
Employees (31 Dec.)	units	487	523	- 6.9%
Turnover / Employee	10^3 euros	94	77	21.6%
Value Added / Employee	10^3 euros	23	28	- 18.6%
EBITDA Margin				
Cement		17.2%	28.4%	
Concrete		7.6%	6.8%	
Overall		16.6%	27.4%	
EBIT Margin		5.5%	14.0%	

(1) Cement production capacity with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)
(3) Before Minority Interests

2.9. South Africa

In South Africa, the civil construction and public works sector maintained a healthy pace, boosted by an expanding housing market, the building of bridges, hospitals, schools and airports, the rehabilitation of roads and railways, the construction of damns and improvements to various port facilities. Within this scenario, cement consumption in 2004 is estimated to have increased 13%, reaching 10.2 million tons. In the province of KwaZulu-Natal – where the Group operates through Natal Portland Cement (NPC) – market performed was even more favourable, as consumption increased about 14%, to 1.6 million tons.

NPC's sales were limited by its production capacity. Although the company reached record production, it was not able to exceed 1.1 million tons (6.5% higher than in the previous year), resulting in a slight drop in the market share (from 11.4% in 2003 to 10.8% in 2004). In mid 2004, the Group expanded into the concrete and aggregates market by acquiring three companies. Benefiting from the sector's fast-paced growth (estimated at over 20%), in a mere six months, the said companies sold 22,000 cubic meters of ready-mix concrete and nearly 200,000 tons of aggregates.

Consolidated Turnover generated in South Africa, also boosted by the rand's appreciation, totalled 87.5 million euros, a 26.6% increase over the previous year. Operating Cash Flow rose nearly 28%, despite the purchase of 87,000 tons of cement and clinker to meet the higher demand. Therefore, and although the Group expanded to sectors traditionally less profitable (but in this case with margins clearly above those of the other Business Areas), the 2004 EBITDA margin in South Africa reached 45.6%, 0.5% more than in the previous year.

South Africa Business Area

	Unit	2004	2003	Chg.
Installed Capacity (1)	10^3 ton	1,025	1,010	1.5%
Use of Installed Capacity (2)		96.6%	92.4%	
Cement Sales	10^3 ton	1,100	1,033	6.5%
Market Share		10.8%	11.4%	
Ready-mix Concrete Sales	10^3 m^3	21.7	-	-
Aggregates Sales	10^3 ton.	199.6	-	-
Turnover	10^6 euros	87.5	69.2	26.6%
Payroll Expenses	10^6 euros	7.6	5.8	32.0%
Operating Cash Flow (EBITDA)	10^6 euros	39.9	31.2	27.9%
Operating Income (EBIT)	10^6 euros	35.5	26.5	33.6%
Net Income	10^6 euros	24.8	19.1	29.4%
Capital Employed	10^6 euros	43.0	33.5	28.3%
Industrial Investments	10^6 euros	2.3	1.8	25.6%
Employees (31 Dec.)	units	406	332	22.3%
Turnover / Employee	10^3 euros	244	207	18.2%
Value Added / Employee	10^3 euros	133	111	20.0%
EBITDA Margin				
Cement		45.5%	45.1%	
Concrete		29.3%	-	
Aggregates		42.8%	-	
Overall		45.6%	45.1%	
EBIT Margin		40.5%	38.4%	

(1) Cement production capacity with own clinker (average during the year)
(2) Clinker production / Installed capacity (clinker)

Due to this excellent performance, Net Income increased by nearly 30%, reaching almost 25 million euros (about 2.5 times more than in 2002, the year when the CIMPOR Group acquired NPC).

In 2005, the substantial investment in Simuma will begin to bear fruit when this unit's start-up will increase this Business Area's cement production capacity with own clinker by over 50%.

3. Research and Development

3.1. R&D Investments and Policy

The CIMPOR Group's industrial development reached a milestone in 2004, during which it completed a significant number of investments and obtained approval for various other projects of some dimension.

The cement production process, although stable and mature, has been evolving towards increasingly more sophisticated management and production technology. Throughout the years, the CIMPOR Group acquired and developed know-how to quickly increase its production and logistics capabilities and to continuously improve its industrial units' productivity, operation performance, environmental compliance and product quality.

The Group has regularly applied its know-how to modernise and revamp its plants, particularly plants it has acquired and where, whenever necessary, it installs the latest technological innovations and the best practices and techniques. Until the end of 2004, this work was performed through CEDI – Technical and Industrial Development Centre. As of 2005, it will be carried out by the recently founded CIMPOR TEC that will always be assisted by the various Business Areas.

In 2004, the Group launched the so-called "CIMPOR Performance Programme" (PPC) in Portugal and Brazil. The program is an in-depth benchmarking method launched in 2002 through which comparisons are made between the application of specific improvement actions at the various industrial units (internally and externally with best-in-class units of other companies). This is an essential instrument for the Group's overall performance progress. The purpose is to follow-up and control the good operation of operating units by developing and implementing performance management tools and by defining, calculating and validating a number of key performance indicators (KPI's) whose values are systematically compared with the respective benchmarking references.

This instrument – to be extended to the other Business Areas in 2005 – allows CIMPOR TEC, jointly with managers of operating units, to better identify any potential performance improvement margins, to detect any specialised technical assistance needs and, consequently, allowing those units to define their own priorities, actions and more ambitious goals. All these targets are transformed into a three-year "Performance Improvement Plan" requiring human and material resources assigned by the various Group structures.

Through the industrial development plan, a number of major projects were completed, in progress or launched in 2004:

- All cements plants in Portugal are being retooled for 35-kg cement bags, and work began to reformulate the command and control system at the Souselas plant and to build a covered yard for receiving, storing and shipping coal/petcoke at the Alhandra plant, where work is also in progress to build the truck and train clinker shipping facilities and to revamp one of the kilns' cooler satellites and to soundproof the manufacturing facilities;

- In Spain, besides the construction start-up of clinker unloading facilities at the Cordoba plant, work was maintained to build a new 6,000 ton cement silo at Toral de los Vados;
- In Morocco, the existing clinker production line was expanded from 2,000 to 2,800 tons/day;
- In Tunisia, the Group reinforced the kiln's pre-heating tower, completed the work to optimise two of the three existing cement grinding plants and built a new coal grinding plant and a coal/petcoke receiving yard;
- In Egypt, a third production line began operating, with a rated production of 4,300 tons/day (using natural gas), construction work began to install natural gas burners at the other two lines and to fully revamp one of them and to build a paper bag factory (belonging to the recently-created CIMPSAC);
- In Brazil, the Group decided to invest on a new coal grinding mill at the Cajati plant and to perform the necessary studies to increase the clinker production capacity at one of the Goiás factory lines, from 1,500 to 2,000 tons/day;
- In Mozambique, in addition to the construction of a new bagging system and of the respective cement transport system, work also began to assemble the kiln cooler's dust collection system whose revamping was in the meantime completed;
- In South Africa, it was decided to start building a second clinker production line at the Simuma factory (with a capacity of 1,500 tons/day, which may be doubled), a clinker grinding plant, a cement silo and bagging facilities;

The CIMPOR Group's product line development plan has maintained a policy of increasing the production and sale of composite cements, particularly in Portugal and Spain. This policy is a response to the new "cap and trade" regime to be applied in 2005 and applicable to CO_2 emissions by a number of European industries, including the cement industry. The production of composite cements requires a lower clinker/cement ratio, thereby decreasing the emissions of gases with a greenhouse effect (in this case, CO_2) and also reduces the consumption of raw materials and fuel. Composite cements entail a number of technical and economic advantages. The composite cement production process, in addition to using clinker, will also mix small amounts of other substances such as blast furnace slag and fly ash from thermoelectric power plants, thereby also allowing these industries to dispose of these by-products. Moreover, composite cement concrete is substantially less porous, making it particularly useful for maritime environments and hydraulic works. Market factors such as tradition, technical requirements, composition of raw materials or certain local regulations will, in some cases, be the only limitation to the Group's capacity to continue increasing its production and sale of composite cement.

In 2004, the Group continued its research about adding natural and artificial pozzuolana in cement. In 2002, the Group had already performed tests for producing artificial pozzuolana (calcined clay) and assembled specific facilities for this purpose (at Cajati and João Pessoa, in Brazil).

CIMPOR has also been looking into and performing some preliminary experiments for recycling construction and demolition waste to be used as inerts in the production of concrete and as raw material for producing clinker.

In 2004, CIMPOR Group companies in various Business Area signed product and production process R&D protocols with universities in the respective countries.

3.2. Quality Management

CIMPOR has implemented an ongoing improvement process to increase its competitiveness and to meet the expectations of clients, personnel and shareholders. Since 2001, CIMPOR Indústria (Portugal) has maintained a Total Quality Management System based on the EFQM – European Foundation for Quality Management.

Moreover, all the Group's industrial units linked to the production of cement and hydraulic lime – except in Mozambique and at the Amreyah Cimpor Cement Company (Egypt), whose activity began only in 2004 – already have their respective Quality Management Systems (QMS) certified by ISO 9001:2000. This also applies to the ready-mix concrete companies.

The role played by the Central Laboratory, recently integrated in CIMPOR TEC, is also worth highlighting. By client request or by recommendation of the technical services, the laboratory has developed and optimised various types of cement, particularly composite cement, to appropriately and economically meet a wide range of market needs. The Central Laboratory is located in Lisbon and has endeavoured to develop and improve the Group's products by testing the feasibility of manufacturing methods. The laboratory has performed excellence work in combination with the laboratories of the various Business Areas responsible for adapting the respective products to the availability of raw materials and to local market conditions.

Consequent to the publication of the European Directive in early 2005 restricting chromium VI content in cement to 2 ppm, the Central Laboratory combined efforts with the Group's Spanish and Portuguese production units to perform laboratory research and tests on this matter. The industrial scale tests revealed that, from a technical-economic perspective, the most effective method of converting chromium VI (soluble) into chromium III (insoluble) during the hydration stage was by adding a reducing agent. The investment necessary for applying the said method in the Portugal and Spain Business Areas have already been completed in 2004 or will be completed this year.

4. Sustainable Development

Today, a company's value is not determined merely by its economic and financial income, although these are the major factors. It is becoming increasingly more common to determine a company's value also by its intangible assets, including a broad range of aspects such as its intellectual capital, the transparency of its governance system and its social and environmental responsibility.

Balanced compatibility between CIMPOR's technical, economic and financial performance and its high standards of social and environmental responsibility is one of pillars of its corporate culture and a priority and essential condition for the Group's future development. The Group has pioneered Sustainable Development in Portugal and in other countries where it operates.

CIMPOR's longstanding policy of taking a proactive approach to sustainable development has helped the cement industry avoid the same errors committed in other sectors. In 2003, by publishing its first Sustainability Report, the Group wished to disclose its management strategy and policy and also to mobilise all its employees to focus on a theme that will certainly have decisive consequences on their future.

4.1. Cement Sustainability Initiative (CSI)

CIMPOR supports the Sustainable Development concept to ensure that the economic, environmental and social concerns underlying its operations are treated on an equal basis. In 1997, the Group clearly expressed that support by joining the WBCSD – World Business Council for Sustainable Development.

Founded in 1999, the CSI – Cement Sustainability Initiative project enables the world's ten main cement companies, including CIMPOR, to apply the said concept to the cement sector under the supervision of WBCSD.

Although over the years these ten cement companies have been developing their own projects in this field, for the first time the "Cement Sustainability Initiative" has united these companies to jointly meet the challenges faced by the whole sector and the general public. After having performed an independent research program and having consulted stakeholders, in July 2002 the said companies signed and launched a five-year action plan called *Our Agenda for Action*. This plan identifies six key areas for progress towards a more sustainable society. Six teams of cement experts and external entities were set up to analyse the following issues:

- Climate protection and management of CO_2 emissions;
- Responsible use of raw materials and fuels;

- Worker safety and health;
- Emission monitoring and disclosure;
- Impacts from land use and on local communities;
- Reporting and communication.

In 2004 and in each of these areas, the said company group had already completed various joint projects covering topics listed in the Agenda for Action, whilst new themes were also proposed. The completed projects include:

- A protocol for calculating CO_2 emissions (direct or indirect), and which lays out a common monitoring approach and subsequent disclosure;
- A number of directives covering the responsible use of raw materials and alternative fuels and their safe handling procedures, according to the best current industrial practices and in accordance with the principles of Sustainable Development;
- A protocol specifying formulas for calculating a number of safety indicators for reporting work accidents through an industry-shared language and to make the respective comparisons per period and sector;
- A protocol for recording, monitoring and disclosing main pollution emissions – of solid particles, nitrogen oxide, sulphur compounds, volatile organic compounds, dioxine/furan compounds and heavy metals – at factory chimneys and also specifying a methodology for establishing a baseline for recording micro-pollutant emissions;
- A set of directives on Environmental and Social Impact Studies;
- A CSI website (www.wbcsdcement.org) that will become a permanent and updated source of information about the Cement Sustainability Initiative, its main projects and about the whole general issue of Sustainable Development.

In drafting all these directives and protocols, besides the concern of maintaining demanding technical and scientific methods, the association also focussed on finding economically feasible solutions subject to a careful analysis and validation by non-government global organisations and other stakeholders within the industry.

The sixteen companies participating in the CSI since 2002 (six companies have since joined the ten founding members) are currently preparing a joint publication in June 2005 of an interim report on the evolution of Agenda for Action commitments. The final compliance report is expected to be published in mid 2007.

The initiative will be maintained under the supervision of WBCSD, whose site (www.wbcsdcement.org) will continue to provide updated information about the work in progress.

4.2. Environmental Management

Aware of the less positive aspects characterising its sector, CIMPOR has applied – and will continue to do so – various measures to reduce the impact of its operations and, in particular, of its plants and quarries. CIMPOR intends to transform legitimate environmental concerns into a strategic factor of business competitiveness. Through a clearly proactive attitude, whenever possible CIMPOR intends to comply with the minimum legal environmental regulations without overlooking its profitability.

The Group's general strategy is based on a product and service development policy and the respective production methods that must take environmental concerns into account and be complied by all Business Areas. Product and process innovations have allowed the Group to safeguard environmental concerns since the initial implementation stage of its development projects. This strategy eliminates posterior investments in pollution elimination measures that, normally, lead to significantly higher operating costs and consequently higher overall prices paid by the company and the community.

By collaborating with universities and companies with specialised know-how in this field, CIMPOR will continue to play an important role in increasing scientific knowledge about the impact of its activities, products and processes. This knowledge will be applied for the efficient use of fuel and raw materials and to develop innovative technology for waste processing, recycling and utilisation.

The Group also applies its environmental policies to recently acquired units. When a group such as CIMPOR plans its long-term development in the various regions where it operates, it must adapt the said development to local environmental and social aspects. CIMPOR is therefore committed to developing an internal benchmarking policy to bring about operation improvements and to share better environmental practices within the Group.

Until now, CIMPOR Indústria has operated as a launching pad for most of the Group's environmental protection initiatives. Its policy is to gradually extend current practices in Portugal to its other Business Areas. The creation of an Environmental Department in the recently founded CIMPOR TEC will provide environmental protection solutions through a shared Group policy and without infringing on local initiatives.

In 2004, CIMPOR has remained firmly committed to certifying all its manufacturing units according to the main international standards. Implementing quality, environmental and occupational safety and health management systems at the said units and certifying them in accordance with the ISO 9001:2000, ISO 14001:1996 and OHSAS 18001:1999 standards, respectively, are corporate priorities and have represented a vital instrument in the progress towards sustainable development.

In 2004, South Africa's industrial units in Simuma, Durban and Newcastle were certified according to standard ISO 14001. In the near future this certification will also be applied to the four Spanish factories (Oural, Toral de los Vados, Córdoba and Niebla), the grinding plant of Nova Santa

Rita, in Brazil, and the plant of Jbel Oust, in Tunisia. In Portugal, the production centres of Souselas, Alhandra and Loulé will soon also have their respective environmental systems registered at the EMAS.

Major Milestones of the CIMPOR Group's Environmental Policy

- **1995** – CIMPOR Indústria (Portugal) launched its Environmental Policy – the company defined and announced its strategic goals and action principles necessary for registering the company in the EMAS (EU Eco-management and Auditing System).
- **1996** – Creation of CIMPOR Indústria's Environmental Management System (SGA) and of its organisational structure.
- **1997** – CIMPOR joined the World Business Council for Sustainable Development (WBCSD) to understand and gradually incorporate the Sustainable Development principles in its business strategy.
- **1998** – Definition of a set of indicators, in particular of eco-efficiency, to be applied in the Environmental Report issued by CIMPOR Indústria.
- **1999** – Signed the "Ongoing Environmental Performance Improvement Contract for the Cement Sector" with the Portuguese government.
- **1999** – Publication of the first Environmental Report (Portugal).
- **1999** – CIMPOR became a founding member of the Cement Sustainability Initiative (CSI), under the supervision of WBCSD.
- **2001** – The Business Council for Sustainable Development (BCSD Portugal) was created by initiative of CIMPOR and another 35 Portuguese companies or companies operating in Portugal, which became part of the vast regional network of WBCSD.
- **2002** – CIMPOR, jointly with another nine international cement companies, signed and launched the five-year action plan called Our Agenda for Action, according to the Cement Sustainability Initiative.
- **2002** – Start of the works to create and approve a set of indicators applied to the Sustainable Development Report for the CIMPOR Group.
- **2002** – Monitoring of CO_2 emissions by the Group's plants in Portugal, in accordance with the CO_2 Protocol, developed as part of CSI – jointly with WBCSD and the World Resources Institute (WRI) – and within the framework of the GHG Protocol Initiative, a work that has began to be expanded to the Group's other plants.
- **2003** – Certification of the environmental management system for the plants of Alhandra, Souselas and Loulé, Portugal, according to standard ISO 14001:1996.
- **2003** – Publication of the first Sustainability Report by the CIMPOR Group.

2003 – Evaluation of the economic impact on the Group's companies (Portugal and Spain) caused by the CO_2 emission licences that will take effect in 2005.

2003 – Certification of the environmental management system for the plant of João Pessoa, Brazil, according to standard ISO 14001:1996.

2004 – The *Ongoing Environmental Performance Improvement Contract for the Cement Sector* reached its term, and the Group complied with all its measures (an overall investment of over 50 million euros).

2004 – The Portuguese and Spanish governments published the *National Plans for Issuing Emission Licences* (PNALE's), approved by the European Union, and the operation units of these two countries were issued CO_2 emission licences for the 2005-2007 period.

2004 – The environmental management systems of the Simuma plant and of the grinding plants of Durban and Newcastle, South Africa, were certified according to standard ISO 14001:1996.

In the meantime, the agreement signed in 1999 between CIMPOR and the Portuguese government – the *Ongoing Environmental Performance Improvement Contract for the Cement Sector* – was declared as completed. All the investments specified in the said contract were met (over 50 million euros), a significant commitment by CIMPOR to improve the quality of life of communities near its plants.

Certification Status of the Group's Environmental Management Systems

Cement Plants and Grinding Units	
Alhandra (Portugal)	ISO 14001:1996; EMAS (2005)
Souselas (Portugal)	ISO 14001:1996; EMAS (2005)
Loulé (Portugal)	ISO 14001:1996; EMAS (2005)
Toral de los Vados (Spain)	ISO 14001:1996 (2005)
Oural (Spain)	ISO 14001:1996 (2005)
Córdoba (Spain)	ISO 14001:1996 (2005)
Niebla (Spain)	ISO 14001:1996 (2005)
Asment de Témara (Morocco)	ISO 14001:1996 (in progress)
Jbel Oust (Tunisia)	ISO 14001:1996 (2005)
Amreyah Cement Company (Egypt)	ISO 14001:1996
João Pessoa (Brazil)	ISO 14001:1996
Cajati (Brazil)	ISO 14001:1996 (in progress)
Nova Santa Rita / Moagem (Brazil)	ISO 14001:1996 (2005)
Campo Formoso (Brazil)	ISO 14001:1996 (in progress)
São Miguel dos Campos (Brazil)	ISO 14001:1996 (in progress)
Simuma (South Africa)	ISO 14001:1996
Durban / Moagem (South Africa)	ISO 14001:1996
Newcastle / Moagem (South Africa)	ISO 14001:1996
Matola (Mozambique)	ISO 14001:1996 (in progress)

The CIMPOR Group's environmental investments (explained in detail in the Sustainability Report) have focussed on the following priorities:

- **Savings in natural resources and rational energy consumption** – by installing new equipment and by continuously reducing electrical and thermal energy consumption, by optimising grinding and baking operations, by recycling waste through the use of alternative raw materials and by using fly ash from thermoelectric power plants, foundry slag and cement additives. In 2004, the Alhandra plant continued to use sludge from water treatment plants as raw material. Within this perspective and since the availability of natural resources is vital, the Group will maintain a long-term quarry management policy to maintain pace with trends calling for greater recycling of construction waste – using this waste as a raw material in the production of cement and concrete. It will also recycle concrete and concrete-production waste by sorting this waste and reusing it. In 2003, the Alhandra plant continued to use the waste created from the demolition of former industrial buildings as raw material in the production of clinker). In 2004, work also started at the Candiota plant (Brazil), in collaboration with the São Paulo University, on a project for developing new technologies to recover a major part of sterile materials produced from the current operation of the limestone quarry.

- **Reduction of CO_2 emissions** – by building new and more modern and efficient production lines, by renovating old lines and by the growing development of new types of composite cements, by mixing less clinker (replaced by fly ash from thermoelectric power plants, foundry slag and a range of additives). The conversion from combustion systems to materials with lower CO_2 emissions (e.g. switching from fuel-oil to natural gas, in Egypt, or the possible future use of biomass as an alternative fuel). Additionally, the gradual replacement of non-renewable fossil fuels by secondary fuels is a decisive commitment for reducing CO_2 emissions with all the respective economic benefits and whose potential has not yet been fully explored in the various countries where CIMPOR operates. The optimisation of heat recovery in clinker coolers and the increased efficiency of grate coolers are other examples of solutions that CIMPOR has been applying to overcome the enormous challenge faced by the cement industry.

- **Lower emissions of solid particles from chimneys and of dispersed dust and specific dust sources** – for which it installed state-of-the-art bag filters in clinker kilns and a de-dusting system for the respective coolers and at the various loading and unloading locations for raw materials, fuel and other products. The installation of tanks or artificial ponds to supply water to the automatic sprinkling system (in the future connected to the rainwater collection system at some plants) along the main vehicle roads at quarries and inside the manufacturing grounds, the laying of pavements and the installation of automatic locking gates at the clinker and raw material unloading points complete the set of measures that have been taken to reduce emissions of dispersed dust. At the Alhandra plant, the company has created a specific installation to receive incoming clinker and will transfer the coal and petcoke unloading and conveyance operation to another location with ideal handling conditions. Ongoing employee training and awareness-raising covering a number of concerns to be taken into account regarding dust emission is another pillar of this particle emission reduction policy.

- **Reduction of SO_x and NO_x emissions from kiln chimneys** – through a number of technical tests and the consequent assembly of fixed installations in order to clean combustion gases and to evolve to better technological practices. In 2002, after very positive results in various tests to reduce NO_x emissions from kiln chimneys, in 2004 we maintained investments in this area: in Alhandra, we began to install fixed equipment to inject ammonia into the smoke chambers of existing kilns; in Souselas, consequent to tests in previous years and the implementation of additional control measures to decrease SO_2 emissions, we began to regularly inject calcium hydroxide in the cyclone tower of kiln 3.

- **Reduction of equipment noise and vibration** – by installing natural and artificial acoustic barriers along the plant's borders, by insulating grinding buildings using acoustic panels, by installing silencers in ventilators and canopies in various equipments and by transforming satellite coolers into grate coolers in cases where such is justified from an economic perspective. Under this policy, the Group has been using explosion systems based on "micro-retard" detonators to attenuate noise and vibrations in quarry extraction operations. At Graça Mine (in João Pessoa, Brazil), an alternative method is being used instead of explosives, innovated by the Group, that consists of mechanical limestone extraction from the exploration fronts using a continuous miner.

- **Better landscape integration/recovery and interior layout** – by planting tree screens along the plant's borders and by creating garden areas inside and outside the plants, as well as new architectural frameworks and paintings so that buildings and manufacturing units are better integrated into their surroundings. In 2004, the quarries in Portugal began to quickly adapt their operations to the new laws governing the exploration and extraction of mineral masses (Decree-Law no. 270/2001) by levelling the extraction beds, planting species adapted to the local soil and climate conditions and by creating conditions favouring spontaneous re-colonisation of the land by native species. This policy aims to, as far as possible, recreate the prior vegetable cover at these locations and therefore attract some of the region's original fauna.

- **Environmental monitoring** – by installing various sampling devices integrated in the plants' Air Quality System and on-line measurers that continuously monitor the concentration of total atmosphere particles within the manufacturing grounds. As of 2004, the CIMPOR Group's kiln chimneys equipped with permanent monitoring of dust, NO_x, SO_x volatile organic compounds (VOC's) increased to 96%, 76%, 60% and 6%, respectively. Moreover, 52% of the chimneys are subject to regular readings of heavy metals (44%, for dioxine and furan). In 2004, the Group also updated the noise charts for those three plants in order to evaluate the effectiveness of the measures already implemented and to choose a new range of possible solutions to minimise noise pollution.

4.3. Social Responsibility

CIMPOR is aware of its need to be part of its surrounding community and aware of its responsibilities to the people with whom it interacts on a daily basis. In the past years, it has strengthened its close relationship with surrounding communities, for which it has taken a series of measures of significant importance.

This policy of social responsibility aims to be more than mere financial assistance or to merely offer products manufactured by the Group. Instead, it emphasises community participation and the establishing of partnerships with various entities linked to the project in question. In Portugal and according to the EFQM Total Quality Management Model, every year CIMPOR Indústria performs a survey to determine the "Company's Impact on the Community," at the various communities (e.g. citizens, industrial and service companies, contractors, suppliers, clients, fire-fighters, police, commerce, schools, universities, municipalities and ward councils, sports clubs and other public and private institutions). This survey is one of its main instruments to better understand the effect of its activities on the surveyed entities and thereby allowing it to continuously monitor the respective evolution.

This Group's social responsibility is manifest in various areas, of which some examples are provided:

SOCIAL SUPPORT

- In 2004, CIMPOR opened a computer centre at the Windsor Secondary School, in Ladysmith (South Africa) through Natal Portland Cement (NPC), jointly with a software development company (Afrisoft), Toyota and the local Education Department. The program calls for opening another ten similar centres in this region;
- Donation, through the said Afrisoft company, of over 50 used computers from Natal Portland Cement (South Africa) to some special education schools through a partnership established in 2003. The initiative was awarded a special distinction by the government's Education and Culture Department in recognition of the role played by NPC in introducing information technology to needy communities;
- Development of the collaboration, that began in 2002, with the ecumenical Christian organisation Habitat for Humanity South Africa (HfHSA), to meet NPC's commitment to contribute to sustainable housing solutions in the KwaZulu-Natal region. To fulfil this commitment, in addition to the 200,000-rand donation in that year, 15 of the company's employees worked voluntarily for five days to build a 50 m^2 house. In 2003 and 2004, not only did the number of NPC volunteers increase to 28 but the company also recruited various company clients (21) and suppliers (6) to also participate in this project;
- Annual socio-economic contributions to a wide range of entities and institutions (such as schools, retirement homes, hospitals, churches and fire-fighters) that are part of the communities surrounding the Group's plants.

DIALOGUE WITH THE SURROUNDING COMMUNITY

- NPC carrries out an annual incentive program to create and develop small and medium companies, especially for the production of concrete blocks and precast concrete parts. This program allows potential businesspeople to competitively launch and expand their own business, thereby contributing to job creation in areas with high unemployment rates; specific skills for this purpose are obtained through training courses (in which over 300 persons have participated since 2002, of whom 70% were women) and the initial loan of some equipment; moreover, the program aims to help make their businesses ventures feasible by creating a vast network of partnerships with other companies, municipal/government departments and NGO's throughout the KwaZulu-Natal region, such as the Durban Metro Housing, the Eskom Development Foundation and the Indlovu Regional Council;
- For eight years, NPC has supported the educational project called Natal Schools Project, whose main goal is to improve student/teacher ratios and the working conditions of teachers and students by building and renovating classrooms, offices and washroom facilities;
- NPC also organises a job training program for 80 members of the Ncgwayi community (located near the Simuma plant quarry) where the education level is very low, so that these people may be prepared to actively participate in the development of the region's tourist infrastructure;
- Preservation of the natural reserve areas next to the Simuma plant (Oribi Conservancy and Idwala), which are rich in animal species, which includes providing a bus once per month to groups of youths from the neighbourhood for guided tours;
- NPC also maintains two "geological windows" - The Marble Delta's Geological Windows – to show interested parties the unique geological characteristics of the Oribi Gorge Marble Delta, next to the said plant, and to inform them about the rehabilitation program in progress for the respective quarry;
- Through various initiatives and as member of the Business Against Crime (BAC) organisation, NPC supports the region's police authorities;
- The Nova Santa Rita unit (Brazil) participates in the project "Fishing – If you want to stop someone from being hungry give him a fish, but if you want him to never be hungry again, teach him how to fish;" the project is based on job training courses at the plant attended by municipal youths between 14 and 18 years of age, helping them to find jobs, to increase their family income and also providing qualified workers for the area surrounding the plant;
- The São Miguel dos Campos unit (Brazil) implemented a job training project for persons with physical disabilities (Living with Limitations) – in partnership with ADEFISMIC (Association of the Physically Challenged of São Miguel dos Campos) – to increase their employment opportunities by providing courses in various fields and by lending the said association a company house to be used as a classroom, for the respective head office and for medical and social assistance activities;
- The Candiota unit (Brazil) implemented a project to encourage sports activities for children in the plant's surrounding community (for 100 children who have shown great signs of academic

improvement since the project began) including the creation of a Multi-sports School, the hiring of a technical instructor and the acquisition of the necessary material;

- Support for revitalising Ilha do Bispo, a small and poor town with a high delinquency rate, located next to the João Pessoa plant, Brazil, through an ambitious social project called "Community Promoting Life" that provides assistance to 320 persons, including children, adolescents and adults; the said support is in the form of a donation of land and the rehabilitation and construction of buildings for a wide range of purposes such as housing, schools and child care, which also originated in a partnership with "Amazona" (an NGO working towards the prevention of AIDS and other sexually transmitted diseases);
- Also in Brazil, development of a multi-year project to recover an Permanent Preservation Area ("mangue zone" which has an abundance of animal and plant species), known as Fazenda da Graça, and which includes the restoration of a secular chapel and of various colonial homes, the cataloguing of local vegetable species (with the support of biologists from the local university), the creation of nurseries for the rarer plant species and the planting of a variety of regional flora;
- In accordance with the protocol signed in Brazil between CIMPOR and UNICEF, the Group maintained its program of printing messages on cement and dry mortar bags (messages chosen by UNICEF) related with the defence of child and youth rights ("Children must be in school");
- Regular promotion of student visits to reforestation areas at the Candiota plant quarry, in Rio Grande do Sul (Brazil), that includes education about the characteristics of local species;
- A partnership with the Brazilian army, with the community's support, called "Programa Pelotão Esperança" (Hope Platoon Program) to provide assistance to needy children;
- Regular participation by CIMPOR Brazil personnel in various volunteer actions at local communities: campaigns to collect toys, clothing and food for children and the elderly; organisation of parties at Christmas and on Children's Day; providing volunteer services at public schools and the construction and cleaning of religious institutions and municipal schools; participation in the preparation and distribution of baskets of basic goods to poor communities, and the promotion of events to collect funds for this purpose, etc.;
- General application of an "Open Door" policy by promoting guided and group visits to Production Centres to provide anyone interested (e.g., schools, secondary schools, universities, local organisations, citizen groups, military and paramilitary institutions and NGO's) with a better understanding of the company's daily operations, with special emphasis on environmental and occupational hygiene and safety aspects;
- Provide access to youths from local communities to sports club facilities built for the Group's personnel; under this policy, 2004 saw the completion of the new swimming pools of Alhandra Sporting Club (Portugal), to which CIMPOR contributed over 575,000 euros;
- Each year the children of CIMPOR's personnel are given an opportunity to spend two weeks at CIMPOR's holiday camp in São Martinho do Porto (the Holiday Camp is also open throughout the year to youths from schools, co-ops and boy/girl scouts from across the country);
- Various other initiatives were also implemented, such as: job training programs for employees, youths and physically challenged persons; cultural and sports education for youths; projects to

support nursery schools and to create day-care schools; and programs to assist the elderly, pregnant women and children.

TRAINING SUPPORT FOR YOUTHS AND RECENT GRADUATES

- The company provides paid internships to youths living in the communities near the plants and scholarships to university students born in Mozambique who are studying in Portugal;
- Presence at Job Fairs to present the CIMPOR Group and its job opportunities;
- For over eleven years, Natal Portland Cement has sponsored the annual Junior Achievement program for students from surrounding communities in their final secondary school years to promote the business capacity of 40 young persons by giving them the opportunity to create, manage and sell a "mini company" during an eleven-month period;
- NPC contributes to a development program for placing young teachers at schools in the Shepstone region;

RESTORATION OF BUILDING HERITAGE AND SPONSORSHIP

- Contribution to restore the ceiling of the Encarnação Church at Largo do Chiado, Lisbon (2003/2004);
- Participation in various philanthropic and sponsorship actions, contributing to the restoration of some of the most important monuments of Portugal's historic and cultural heritage, such as the Belém Tower (1996/1997), the cloister of the Jerónimos Monastery (1999/2001), the bell set of the Mafra Convent (1993), of the Madre de Deus Church (1999/2001) and the Gardens surrounding the Serralves Foundation (2000/2001), of which CIMPOR is a founding member (1994);
- Support to the Portugal – Africa Foundation (2002/2003);
- Sponsorship of "Portuguese Contemporary Architects," to disclose the work of Portuguese architects (2003/2004);
- Sponsorship, according to criteria of proximity to the Group's premises, of some events of cultural interest (concerts, exhibitions and sports events) or events of a technical and environmental interest (conferences and seminars);
- Support to various initiatives by the Town Councils and Ward Councils in the zones surrounding the Group's plants.

COOPERATION WITH UNIVERSITIES AND OTHER SCIENTIFIC ENTITIES

- Through its Student Trainee Programme, NPC offers job internships to university students in areas related with the company's activities;
- Financial support, through Natal Portland Cement, to the Collaborative Research program by the South African Industry Foundation for Research Development, whose goal is to develop

techniques that, by making concrete construction more economical and durable, contribute to the sustainability of this material;

- Contributions to the scientific community, particularly universities and other education institutions, in the countries where the Group operates, through financial support for some of their programs, post-graduate courses, specific studies and various seminars. For example, NPC makes an annual contribution to the civil engineering departments at various South African universities and institutes in the Durban region (The University of Natal, Natal Technikon, Durban Institute of Technology and Mangosuthu Technikon), and pays for scholarships at the University of Zululand;
- Financial assistance for the 2004 study called "Portugal 2010" carried out by McKinsey International.

5. The Kyoto Protocol

On 11 December 1997, the United Nations adopted the "Kyoto Protocol" to prevent climatic changes caused by greenhouse gases (GHG) through internationally agreed measures to reduce the emission of six types of gases causing global warming: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFC's), perfluorocarbons (PFC's) and sulphur hexafluoride (SF_6).

The protocol took effect on 16 February 2005, after having been ratified by over 55 countries that, combined, represent at least 55% of global CO_2 emissions in 1990.

On 25 April 2002, through the European Union's approval of the Kyoto Protocol (Decision of 2002/358/CE), the respective Member States pledged that from 2008 to 2012 they will reduce their overall greenhouse gas emissions by 8% based on 1990 values. Portugal and Spain made commitments to maintain combined anthropogenic emissions of greenhouse gases, expressed in an equivalent carbon dioxide measure, under 27% and 15%, respectively and in comparison to 1990.

Through Directive 2003/87/CE, of 13 October 2003, a European Emission Trading Scheme was created in the European Union, effective from 2005 to 2007 and valid for consecutive five-year periods as of 2008. Within the terms of the said directive, and as of 1 January 2005, all operators of facilities listed in Annex I, resulting in emissions specified therein, must hold a GHG certificate issued by the competent authorities. Licences for the respective facilities, including the cement sector, are issued according to the National Allocation Plan (NAP) for emissions approved in each country.

In Portugal, the May 2004 version of NAP, for notifying the European Commission, granted CIMPOR emission licences for the 2005/2007 period (Plants of Loulé, Alhandra and Souselas and the Cabo Mondego Hydraulic Lime Plant) equivalent to 12,216,330 tons of CO_2, from a total of 116.82 million tons for activities covered by the Directive and from the 21.12 million tons assigned to the cement industry (corresponding to an annual average volume of 7.04 million tons, 1.2% less than in 2002). In the meantime, Council of Ministers Resolution 53/2005, which approved the NAP, adjusted the overall emission licences for that period to 114.48 million tons of CO_2, including the a reserve amount for new facilities.

In Spain, the government has already approved the final list of the Emission Rights Allocation Plan. This plan attributed the cement sector an equivalent of 27.25 million tons of CO_2, nearly 5% less than what was requested by the sector. In the CIMPOR Group (plants of Oural, Toral de los Vados, Córdoba), the authorisations total 5,321,670 tons of CO_2 for the period in question.

In both cases, the emission rights allocated to the Group are insufficient for operation at full rated capacity for installed clinker production in both countries. Consequently, in either country, the cement production capacity based on own clinker may be hampered by future decisions. Nevertheless, the licences are sufficient for Portugal without having to acquire emission rights for production in 2004 (for both markets), a production that will rise by about 10%.

As is known, cement production involves basically two stages (the production of clinker in a kiln and the subsequent grinding of this semi-finished product). CO_2 emissions occur only in the first stage – due to the consumption of fuel and due to the decarbonising of the raw material (limestone). Lower emissions may be attained by using less fuel and cutting down on the decarbonising process (this may be accomplished by using less clinker in cement – in particular by adding fly ash, steel slag or limestone filler – a process currently limited by European regulations).

The priority is therefore to produce clinker with a more intensive use of non-carbonated raw materials (currently a difficult task and of little impact) and/or to increase the use of biomass (forest residues, animal feed and other common waste, either industrial or urban). This is the task proposed by the CIMPOR Group despite the obstacles: the scant availability of biomass in either country, both in quantity and suitable conditions, and, particularly in Portugal, the need to have the competent authorities licence the projects (currently in progress).

6. Human Resources

CIMPOR's human resources management policy is shaped by social responsibility and by its adaptation to the local norms of the various countries where it operates. The personnel policy essentially specifies and develops strategic guidelines coherent with the Group's global policy to adapt its practices to the local culture. The human resources department mainly seeks to identify and develop its personnel's potential, to encourage better performance, to integrate and share accumulated know-how and experience and to guarantee the employability of all those who are currently part of the Group.

The care that has gone into Human Resources management has proven to be essential for the sustained success of CIMPOR's internationalisation strategy. The Group's growth, with the consequent geographic dispersion and language differences, has had a notable impact on the number, composition and nationality of its personnel. This dispersion has meant that that the organisation and, in particular, the management of Human Resources, must exchange personnel among countries to disclose and exchange CIMPOR's corporate values and culture and, at the same time, to provide new international career opportunities. Consequent to the Group's growing staff mobility, the international experience has become one of the main incentive factors behind career development and an efficient means of using individual skills and talents of employees with greater potential.

Number of Employees per Business Area (31 Dec.) (1)

	2004	2003	Chg.
Central Services (2)	86	133	- 35.3 %
Trading	3	1	200.0 %
Portugal	1,666	1,694	- 1.7 %
Spain	1,003	940	6.7 %
Morocco	215	219	- 1.8 %
Tunisia	241	245	- 1.6 %
Egypt	471	642	- 26.6 %
Brazil	1,128	1,092	3.3 %
Mozambique	487	523	- 6.9 %
South Africa	406	332	22.3 %
Total	**5,706**	**5,821**	**- 2.0 %**

(1) From companies included in the consolidation (including casual / term contract employees)
(2) Holding, CIMPOR Inversiones and CIMPOR Internacional

Despite the Group's expansion – through the purchase of the Narón grinding plant (Spain) and, in particular, of various assets in the concrete and aggregates sector in the Spain, Brazil and South Africa Business Areas, for which 240 new full-time employees were hired – the number of CIMPOR employees decreased in 2004, by nearly 2.0%, to a year's end total (including casual and term contract employees) of 5,706 (115 less than on 31 December 2003).

The personnel restructuring policy was particularly significant in Central Services (-35.3%) and, as in previous years, in the Business Areas of Egypt (-26.6%) and Mozambique (-6.9%). Most of the reduction in Central Services came about when some tasks previous performed at the holding company were transferred to CIMPOR Serviços (part of the Portugal Business Area). This transfer was partly compensated by the transfer of 22 employees previous assigned at the Spanish Business Area to CIMPOR Inversiones).

The operation start-up of CIMPOR Serviços had a definite impact on 2004. This company centralised various intra-group service-rendering tasks by concentrating workers who had been assigned to different operation areas (that is why the "Share Services" heading in the table shows a rise in employees). Besides other advantages, the said centralisation, being based on a comprehensive collection and analysis of the best practices within the Group, facilitated their replication in each process and thereby provided substantial productivity gains.

Change in the Number of Employees per Activity (31 Dec.)

	2004		2003		Chg.
	Number	%	Number	%	
Operation Activities					
Cement	3,661	64.2	3,942	67.7	- 7.1 %
Concrete and Aggregates	1,404	24.6	1,279	22.0	9.8 %
Mortar	63	1.1	64	1.1	- 1.6 %
Other Activities	217	3.8	217	3.7	0.0 %
Common Services	361	6.3	319	5.5	13.2 %
Total	**5,706**	**100.0**	**5,821**	**100.0**	**- 2.0 %**

This restructuring process enabled over 90 employees who provided assistance through the so-called operational activities to leave those services. Consequently, Portugal and Spain's Business Areas reduced their personnel by nearly 60 employees previously assigned to "Common Services." Per activity, there was also a reduction in the cement area and an increase, due to the said acquisitions, in the concrete and aggregates sector (at the end of the year representing nearly 25% of all employees).

In 2004, CIMPOR developed and implemented an integrated training program for senior engineers attended by participants from all Group companies. By identifying the most necessary competence profiles in the various Business Areas, a plan was developed to rejuvenate personnel, which included defining a number of features common to the various profiles for recruiting upper managers. The said recruitment complemented the methodology maintained in Portugal for several years – the technician pool – that was expanded to other countries in 2004.

In the past year, CIMPOR also decided to implement a "Promotion Plan" that, combined with its needs for international mobility and based on a list of key functions within the Group, makes it possible to identify the ideal employees for future vacant positions (in terms of competence, experience and availability).

Lastly, the start-up of a "Health and Safety" project covering the whole Group will be extended during the next three years with the following goals:

- Sustainable improved working conditions of most employees;
- Make "Health and Safety" a strategic Group value shaping individual and collective behaviour;
- Improve CIMPOR's safety indicators;
- Have the various production activities certified by OHSAS 18.000.

7. Financial and Risk Management Policy

7.1. Deb Management

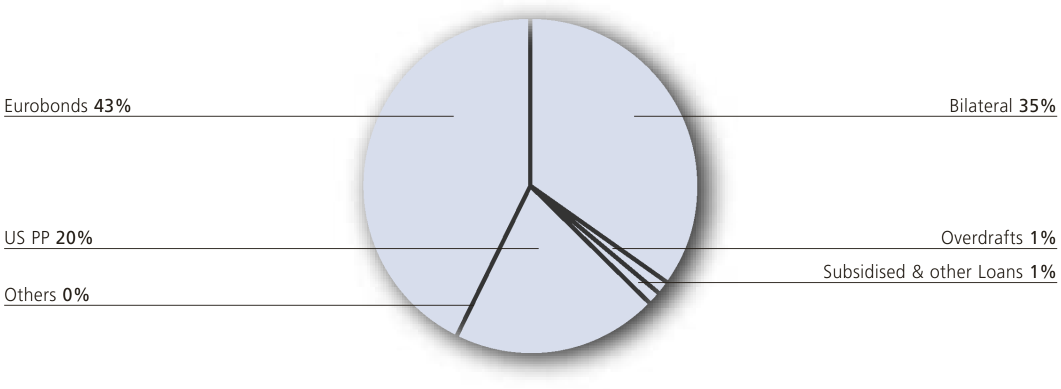
In 2004, the Group's Debt management maintained the guidelines applied in the previous year and focussed on consolidating the respective goals:

- To refinance debt falling due within one year;
- To increase the average loan maturity term of the overall consolidated debt to a level more suitable to the Group's asset structure:
- To diversify financing sources;
- To obtain the necessary financial means to invest in the various countries where the Group operates, to obtain financing in local currency and, in that manner, to create natural hedging situations.

To achieve these goals, various measures were taken in 2004, of which the following are highlighted:

- An inaugural emission of fixed-rate bonds (Eurobonds) by CIMPOR Financial Operations, B.V., in the amount of 600 million euros, with a 7-year term and a 4.50% coupon carried out in accordance with the Medium Term Notes Program;
- Early amortisation of a significant part of bank loans maturing in June 2005 – a 45-million euro loan, two syndicated loans, in the amount of 283.5 million euros and 75 million dollars, respectively, and part (150 million euros) of another bilateral loan;
- The early reimbursement of a debenture issued in 2003 by Cimentos de Moçambique paid by funds raised by issuing a new loan of the same type but with a clearly more favourable reference rate.

Consequent to these operations, the Group's consolidated debt at the end of 2004 had an average maturity term of about six years and was broken down into the following markets:



In the management of short-term debt, the Commercial Paper programs of the holding company and of CIMPOR Indústria (in an overall amount of 300 million euros), has maintained its (A-2) rating by the Portuguese Rating Company. These programs, jointly with the cash-pooling systems, continue to be essential instruments for the short-term financing of all Group companies based in Portugal.

At the end of the year, the consolidated net financial debt amounted to about 1,230 million euros, about 9 million euros less than at the end of 2003.

The Group's foreign financial companies – CIMPOR Financial Operations, B.V. (Netherlands) and CIMPOR Finance Limited (Ireland) – maintained their regular policies. The former continued to play an important role in obtaining funds in the international market, and the latter continued to efficiently allocate those funds to the companies that required them to maintain their current or investment activities.

The interest rate and debt maturity conditions of the financing operations during the year, combined with the Group's good operating performance, allowed the Group to meet all financial covenants set forth in contracts in force and to maintain, during 2004, the long-term rating of BBB+, although with a negative outlook assigned by Standard & Poor's.

Below is a summary table outlining the main financial operations in the Group's consolidated liabilities:

Financial Debt as of 31 December 2004

Financing	Curr.	Amount (10^3)	Start	Maturity	Interest Rate
Holding					
Subsidised Financing	EUR	499	Oct 2002	Jul 2006	0.000%
CIMPOR Inversiones					
Syndicated Loan	EUR	106,400	Jun 2003	Jun 2008	Euribor + 0.500%
Bilateral Loan	EUR	87,500	Jun 2002	Jun 2005	Euribor + 0.675%
Total	EUR	**193,900**			
CIMPOR B.V.					
Eurobonds	EUR	600,000	Mai 2004	May 2011	4.500%
US PP 10y	USD	150,000	Jun 2003	Jun 2013	4.900%
US PP 12y	USD	254,000	Jun 2003	Jun 2015	4.750%
Effect IAS 39	EUR	- 58,994			
Total	EUR	**885,716**			
Portugal					
CIMPOR Indústria					
BEI Loan	EUR	60,000	Sep 2003	Sep 2015	EIB Basic Rate
Subsidised Financing	EUR	9,536	Oct 2001	Oct 2007	0.000%
Bank Overdrafts	EUR	2,847	-	-	-
Subtotal	EUR	72,382			

Financing	Curr.	Amount (10^3)	Start	Maturity	Interest Rate
Other Companies					
Bilateral Loan	EUR	1,875	Apr 2001	Apr 2006	Euribor + 0.575%
Miscellaneous Financing	EUR	2,099	-	-	-
Bank Overdrafts	EUR	1,610	-	-	-
Subtotal	EUR	5,584			
Total Portugal	EUR	**77,966**			
Spain					
Corporación Noroeste					
Syndicated Loan	EUR	193,600	Jun 2003	Jun 2008	Euribor + 0.500%
Bilateral Loan	EUR	11,310	-	-	-
Miscellaneous Financing	EUR	6,766	-	-	-
Bank Overdrafts	EUR	11,537	-	-	-
Subtotal	EUR	223,213			
Other Companies					
Miscellaneous Financing	EUR	55	-	-	-
Total	EUR	**223,268**			
Brazil					
Bilateral Loan	BRL	45,852	-	-	-
Subsidised Financing	BRL	5,366	-	-	2.400%
Total	EUR	**14,169**			
Egypt					
Amreyah					
Bilateral Loan	EGP	163,636	Dec 2002	Dec 2009	Caibor + 1.125%
Bilateral Loan	EGP	4,810	Jan 1980	Jun 2006	11.700%
Bank Overdrafts	EGP	90,883	-	-	12.500%
Subtotal	EUR	31,366			
Amreyah Cimpor					
Bilateral Loan	EUR	21,875	Sep 2003	Jan 2008	Euribor + 1.500%
Cimpor Egypt					
Bank Overdrafts	EGP	8,590	-	-	12.500%
Subtotal	EUR	1,039			
Total	EUR	**54,280**			
Mozambique					
Bilateral Loan	USD	6,146	Sep 2000	Sep 2005	Libor + 1.000%
Debenture	MZM	198,333,300	Dec 2004	Jun 2007	TAM + 5.25%
Total	EUR	**12,347**			
South Africa					
NPC					
Bank Overdrafts	ZAR	166	-	-	-
Subtotal	EUR	22			
Other Companies					
Bilateral Loans	ZAR	4,759	-	-	-
Bank Overdrafts	ZAR	467	-	-	-
Subtotal	EUR	680			
Total	EUR	**701**			
Other Business Areas					
Morocco	MAD	47,297	-	-	-
Tunisia	TND	3,266	-	-	-
Total	EUR	**6,213**			
TOTAL GROUP	EUR	**1,469,059**			

7.2. Risk Management Policy

7.2.1. Financial Risk Management

The CIMPOR Group faces various financial risks since its balance is exposed to exchange rate fluctuations in countries where the Group operates. It is also exposed to interest rate variations applicable to the euro and American dollar, the main currencies comprising its debt.

The Group's policy is based on the following risk management principles:

- The contracting of derivative instruments for covering only financial risks inherent to specific assets and/or liabilities, or when anticipating future operations, and never for merely trading purposes without the existence of underlying assets or liabilities;
- Selection of hedging instruments based on a careful analysis and evaluation of the risk/return ratio of the various available market alternatives for the type of risk in question;
- Search for natural hedging by contracting financing in local currency in the various countries where the Group operates;
- Centralising all risk management in the holding company which analyses, approves (Executive Committee), carries out and follows up the operations (Financial Operations Area of the Corporate Centre);
- Ongoing monitoring of the risk, and respective costs, associated to the different contracted operations, in particular by calculating their market value and by analysing the sensitivity of the said value in the event of alterations to the main variables.

Since 2003, the Group has taken various initiatives to enhance its derivatives portfolio management and to be prepared to fully implement the new accounting regulations (IAS 39) applicable to the financial instruments. This regulation will be mandatory as of January 2005. Once the new regulations' various accounting impacts on the Group's results and net situation were understood, these impacts were carefully assessed and additional tools were developed to manage the interest rate derivatives portfolio.

Among these tools, one sufficiently relevant statistical measure – Earnings-at-Risk – was given priority. This indicator forecasts the portfolio's maximum negative impact on results, with 95% accuracy for a three-month horizon. This tool provides not only an ongoing analysis of the portfolio but also evaluates the extent to which that impact may be diminished by contracting certain operations.

Advances in this matter in 2004 enabled the Group to anticipate the application of the IAS 32 and 39, thereby increasing the accuracy and transparency of its accounts.

The following exchange-rate risk hedging operations already used at the start of the year or performed during it are highlighted:

- The Group maintained two cross-currency swaps (USD/EUR) associated to the Private Placements issued in June 2003 in the American market, in the amount of 404 million dollars;
- Offshore hedging, EUR/TND, covering 50% of the exchange rate risk underlying the payment of the investments made by Jbel Oust (Tunisia), in the amount of about 6 million euros (in the meantime liquidated);
- Full hedging of the exchange rate risk (USD/EUR) for the acquisition of a new shareholding (Nova Cimangola), in the amount of 67 million dollars.

The hedging operations contracted in 2003 for investments in Brazil and South Africa were not renewed since the respective currencies appreciated against the dollar.

As for interest rate risks, the Group maintained its dynamic management of the derivatives portfolio in order to comfortably split the debt between fixed and variable interest rate. This policy allowed it to minimise the respective overall cost and to balance the flow / market value ratio. Accordingly, two hedging operations, in the amount of 466 million euros, were restructured to reduce the volatility implicit in the respective market values.

7.2.2. Asset Risk Management

In 2004, the main insurance companies participating in the process to renegotiate the CIMPOR Group's global insurance programs continued to request very demanding conditions to remain in the said programs. Despite the obstacles, the final result was very favourable for the Group which obtained lower rates for material damage policies and, although with a slightly higher premium, lower deductibles for third-party liability insurance.

The operating risk management policy was not changed and maintained the same level of self-insurance as in previous years, whereby "large risks" were insured with international insurance companies.

The Group's captive reinsurance company – CIMPOR Reinsurance, with its head office in Luxemburg – continued to be directly liable for material and machinery failure risks with an indemnity ceiling of two million euros, and for product and general third-party liability risks with an indemnity ceiling of two hundred and fifty thousand euros. Above these ceilings, the respective coverage was placed in the international reinsurance market.

A captive insurance company in the CIMPOR Group greatly rationalises the management of operating and asset risks and thereby minimises the corresponding costs. The captive company is also essential for generating financial benefits by applying the premiums that it receives from the various Business Units and by the financing that it may provide to Group companies.

Despite the difficult market conditions, in 2004 the Group also renegotiated the overall third-party liability insurance covering the Group's managers and directors. The same coverage of previous years was maintained, but the respective premium was reduced.

In the various Business Units, because of the specific laws in the countries in question and the contractual conditions, the respective personal, vehicle and other miscellaneous insurance policies were maintained at local insurance companies.

The Corporate Centre took measures to optimise the Group's operating and asset risk management and control. These measures included identifying material, technical and human resources subject to risk, analysing and evaluating the exposure level of these resources, evaluating foreseeable losses in case of accident and assessing the various alternatives that, at any given moment, are regarded as the most appropriate for risk coverage.

8. Information Technology

Information Technology actions in 2004 were part of CIMPOR'S longstanding strategy to standardise information solutions among the various Group companies. Of these actions, emphasis goes to the launching of two new projects to fully install the SAP ERP solution in the Brazil and South Africa Business Areas.

Through these two projects, the usual Financial, Logistics and Sales modules were supplemented by various additional modules: Production Planning, Workflow and, in the specific case of Brazil, Client Relations Management (CRM) and Project Management (in combination with the Investment module). These extra modules ensured greater coverage of the various business processes.

The following additional activities carried out in 2004 by the Projects and Development Department are highlighted:

- The AIS (Audit Information System) was implemented for SAP management system;
- DEFIR/PRO software was installed at CIMPOR Serviços, to be used by the Audit Department for its services rendered to the various Group companies;
- The Betão Liz and Ibera companies installed and began running the Intercompany processes which automated all internal-supplier receipt integration, checking and accounting processes;
- The SAP 4.6C version was upgrade to the 4.7 version (Enterprise), at the Mozambique and South Africa Business Areas;
- A new version of the Concrete Production System was installed (Arcowin), which provided an additional range of functionalities and security features;
- Total reformulation of the SAP Interfaces for the Concrete and Aggregates activities, in particular including intercompany flows to Transviária;
- The SAP system was implemented at Mossines;
- The Commercial Services of CIMPOR Indústria and of Transviária's Regional Offices were combined in the SAP and in the SIPET (Integrated Planning, Shipping and Transport System);

- The SAP system began operating at the Egypt Business Area;
- Roll-out of the commercial Business Information Warehouse (BW) of CIMPOR Indústria for the Ciarga and Cecisa companies;
- The Quality Network System (SIQUAL) began operating at the factories of Souselas, Alhandra, Loulé, Oural and Toral de los Vados, and at the Central Services of CIMPOR Indústria's Quality Management Office, and installation of the said system began at the Córdoba and Niebla factories and at the Huelva milling plant;
- A new SAP Shipping Interface was implemented at Cimentaçor, which automated over 60% of the previous manual processes;
- SIPET was implemented at CIMPOR Indústria's depots and factories, covering about 30% of the manual tasks required by the previous system;
- Processes were completed in SAP at the Logistics and Financial Departments to obtain management indicators related with the application of Accounting Directive no. 29 – Environmental Materials;
- The SAP implementation project was started for Aggregates shipping, which is connected directly to the scales.

In 2004, the Group also developed a number of important projects in Technology and Systems Management to improve its management of technology and communications infrastructures:

- The communications networks were reformulated at the Production Centres of Alhandra and Souselas and at the Prior Velho building;
- The main servers and respective operating systems were upgraded (from Windows 2000 to Windows 2003) to maintain pace with business growth;
- Communication means were installed between Lisbon and the Brazil and South Africa Business Areas;
- At the above countries, an Active Directory structure was implemented, and the respective electronic mail services were upgraded and the SAP R/3 landscape was installed at both countries;
- The electronic mail systems were upgraded (from Exchange 2000 to Exchange 2003) along with the Quality Management System's document support software;
- The Manufacturing Statistics application was connected to the automatons at the Alhandra Production Centre for automatic data extraction;
- Security was reinforced for the Internet and electronic mail tools by installing an anti-spam system.

Through these projects, the Group's Business Areas are moving toward greater synergies and uniform solutions to optimise information infrastructure and management costs, both on human resources and in Information Technology investments.

9. The Outlook for 2005

In 2005, the world economy is expected to slow down slightly. The biggest risks are: a sharp depreciation of the American dollar, with negative consequences for countries most dependent on foreign trade (such as EMU countries); an abrupt halt in the Chinese economy; and persistently soaring oil prices that would undermine business interests and consequently weaken investment and job creation.

In the USA, the upbeat trend in capital expenditure and growing exports, boosted by a weak dollar, will ensure sustained growth, although less robust than in 2004. Moreover, a tighter monetary policy, aimed at encouraging personal savings, will make private consumption more dependent on unemployment rates, which are expected to improve. Inflation is forecast to remain under control partly due to moderate wage hikes and lower domestic demand.

In the Euro Zone, the latest forecasts point toward a slight slowdown in economic growth. To keep this slowdown from turning into a slump, the business community must remain confident in the event of newly rising oil prices and/or a soaring euro, with potentially negative effects on exports. The export sector must remain the economy's principal driving force since the need to implement structural reforms, to correct public deficits and, in some countries, to reduce personal debt, is expected to curtail domestic demand. Inflation is forecast to decrease slightly in the wake of moderate wage increases and stable import prices due to the high euro.

Emerging countries are forecast to maintain their strong growth of 2004, especially in the Asia Pacific region where overall domestic demand and the trade surplus are expected to remain high. Latin America, despite some persistent factors of instability, is showing clearer signs of a sustained economic recovery aided by international economic growth, by the rising prices of commodities and by growing domestic demand.

In 2005, cement consumption is expected to increase at the same pace as in 2004. As in 2004, growth will be boosted by demand in emerging countries. Demand for cement in the USA is expected to lose some of its growing momentum. In Western Europe, cement consumption is expected to match the rates of 2004, despite the recovered demand in some countries such as Germany and Portugal.

Portugal

Forecasts for Portugal's 2005 GDP growth vary from a high of 2.4% (government forecast) to a low of 1.6% (Bank of Portugal), depending on the optimism shown by forecasters when evaluating the importance of Portugal's exports.

According to the European Commission (that, like the IMF, is forecasting a 2.2% growth rate) domestic demand will remain the economy's main driving force. The forecast higher investment will more than compensate for slumping private consumption caused by higher personal debt and a slightly worse unemployment rate. Consequently, the previously increasing imports are expected ease off, whereby the negative 2004 trade balance will be slightly favourable in 2005. Inflation is expected to fall slightly (to about 2.2%) due to lower consumption and somewhat lower wage increases.

The construction sector's three-year downturn is expected to finally recover, but not much (1%). This improvement will be mostly based on the larger number of government public tenders for non-residential buildings (in which contracts grew by 30% in number and value). If the outlook was already gloomy for the housing construction segment, it became even gloomier when the government scrapped the planned rental law reforms that are crucial for rehabilitating the highly deteriorated rental segment.

Within this scenario, the latest estimates point toward a 1% growth in cement consumption that, combined with the forecast lower imports by maritime transport, will allow CIMPOR to increase its domestic sales by 5%. On the other hand, although clinker is no longer supplied to the milling plant in Huelva, other markets have emerged, particularly Angola, that will make it possible to maintain cement and clinker exports at least at the same level as in 2004 (nearly 1.2 million tons/year).

Spain

According to the latest estimates issued by various institutions and official entities – based on forecasts calling for a stable construction growth, slightly lower private consumption and a restrained trade deficit – Spain's 2005 GDP growth is expected to remain similar to the previous year's rate (2.5% – 2.7%), with an inflation rate slightly below 3%.

Growth rate in the construction sector – based on the forecast job creation rate, the development of planned hydraulic and railway infrastructures and on continued stable interest rates – is expected to reach 4%. Although national cement consumption is forecast to increase by no more than 1%, in the regions where he Group operates (Galicia and Andalusia) consumption is expected to increase 2% and 5%, respectively.

North Africa

In North African countries where the Group operates, GDP growth is likely to remain high (from 4% to 5%), with cement consumption rising at a similar rate.

The recently increased production capacity at the factories in Morocco and, especially, in Egypt will, in both cases, boost sales volumes beyond double-digit gains. This growth will result not only from expected higher market shares but also from higher clinker sales, both in the domestic market (Morocco) and in exports (Egypt).

Moreover, the introduction of petcoke in Tunisia, the completed modifications at the Morocco plant and the stabilised new production line in Egypt will significantly improve production performance in these three countries, boost their income and thereby contribute more to the Group's results.

Brazil

In 2005, Brazil's economic performance is expected to remain clearly favourable, even though GDP growth may be slightly lower than in 2004 due to higher interest rates and a more moderate growth in exports when compared with 2004.

Construction and cement consumption are forecast to increase by over 3%. Although the Group is expected to maintain a 10% market share, its Turnover is expected to decrease, even when expressed in local currency. Cement prices fell sharply as the Brazilian cement sector became more competitive in the past. These lower prices will continue to have an impact in 2005, particularly on the Group's Turnover and EBITDA margins.

South Africa

In 2005, the GDP of Mozambique and South Africa is expected to grow about 7.0% and 3.8%, respectively, in both cases boosted by investment. In South Africa, higher corporate confidence will likely increase investment by 9%, more than compensating for falling exports due to the rand's recent appreciation.

In 2004, cement production obstacles prevented the CIMPOR units from supplying Mozambique's market's needs. Once these impediments have been solved, cement consumption is forecast to return to its previous rising growth, reaching nearly 750,000 tons per year. This Business Area's results are therefore expected to grow substantially, with a slight boost from a clinker and gypsum import tariff exemption granted to the three Group units.

In South Africa – and especially in NPC's natural territory (the province of KwaZulu-Natal) – the rate of public and private investment is expected to boost cement consumption by about 10%. Nevertheless, the Group's installed capacity will unlikely keep pace with this growing demand. Despite this setback, the outlook for 2005 remains clearly favourable, particularly when considering the excellent performance by the concrete and aggregates units acquired in mid 2004. Moreover, since demand for cement is expected to remain high, NPC will capitalise on its new grinding plant and a second clinker production line to be operational in 2005 and expected to raise cement production by about 60% (to 1.6 million tons/year) within two years.

Angola

After a year in which Angola's GDP rose 11.7%, most economists are calling for continued high growth in 2005, although less than what was forecast by the government (16%). The economy is expected to remain closely linked to the oil industry, whose percentage of GDP will increase, thereby forming the basis for a trade surplus. The government policy to decrease the inflation rate (15%) is also viewed as overly ambitious. The lower inflation rate in 2004 (that fell from almost 100% in 2003 to slightly over 40% in 2004) was mostly due to the falling prices of imported goods consequent to the Central Bank's drastic currency exchange rate intervention. But the need to use foreign reserves to finance the public deficit will most likely put a lid on exchange rate interventions.

Construction growth is expected to remain strong (14% in 2004), justifying the optimistic expectations that Nova Cimangola's cement sales will rise to over one million tons. When the pier and new grinding mill are completed, EBITDA is expected to increase to 20 million euros. The company will also invest on a new kiln to increase its annual cement production capacity with own clinker from the current 650,000-700,000 tons to nearly 1.6 million tons.

10. Post Balance Sheet Events

The following significant events took place after the end of 2004:

- Through Cimpor Inversiones, S.A., the Group acquired all the share capital in the Cape Verde company Nordicave Trading Industrial, Lda., which holds a 86.65% stake in Cimentos de Cabo Verde, S.A.R.L.;
- Betão Liz, S.A., sold all its shares in Jobrita – Indústrias Extractivas, S.A.;
- Cimpor –Indústria de Cimentos, S.A., subscribed to and began paying a capital increase (from 100 million to 200 million euros) in proportion to its shareholding (48%) in C+PA – Cimento e Produtos Associados, S.A.;
- The company Prebetong Lugo Hormigones, S.A., was founded consequent to the partial spin-off of the ready-mix concrete and dry mortar production and sales performed until then by Prebetong Lugo, S.A.;
- The Morocco plant reactivated its clinker production line after having increased its capacity from 2,000 to 2,800 tons/day;
- The first tests were performed to check the performance of the Tunisia plant using petcoke;
- Work was completed to adapt the Group's new administrative and commercial facilities in Egypt.

11. Transition to International Accounting Standards (IAS/IFRS)

In 2003 CIMPOR started a process to diagnose and analyse the implications, in terms of presentation, measurement and recognition, of applying the International Financial Reporting Standards, as well as the possible changes in its financial information systems.

This process is currently in its final stage in which the accounting differences are being quantified. This work has required assistance from external consultants and alterations to the information (and consolidation reporting) systems at the various Group companies.

The work carried out until now indicates that, among the said differences, the following will have the greatest impact on assets, operating income and on the means of presenting the CIMPOR financial statements (effective as of 1 January 2005):

INSTALLATION EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES AND INDUSTRIAL PROPERTY AND OTHER RIGHTS

Portuguese accounting standards allow certain costs to be capitalised that, in accordance with International Financial Reporting Standards, must be recognised immediately as costs for the year. This is especially applicable to expenses for capital increases, quality certification projects or environmental impact studies that, according to the criteria set forth in IAS 38, cannot be recognised as assets. On the transition date, the net amounts of accrued depreciation covering the items in the aforementioned headings that do not meet the said criteria will be derecognised by a corresponding entry in Retained Results.

CONSOLIDATION DIFFERENCES (GOODWILL)

Within the terms of the IFRS 1, when certain conditions are met, companies may designate any date prior to the transition as the date on which they adopted the IFRS 3 provisions – Concentration of Business Activities. CIMPOR will use this option and will choose 31 December 1998 as the respective date. Consequently, all shareholding acquisitions after that date, as well as the corresponding consolidation differences, will be reported in the accounting in compliance with the said standard.

Major alterations will be made to procedures applied by CIMPOR until now that met the accounting standards generally accepted in Portugal:

- Consolidation Differences for acquisitions after 31 December 1998 will now be determined in the functional currency of the subsidiaries in question and therefore subject to exchange rate fluctuations, recorded by a corresponding entry in the caption Reserve for Exchange Differences;

- All Consolidation Differences will no longer be amortised as of that date, but instead submitted annually to impairment tests in accordance with IAS 36 – Impairment of Assets;
- Negative Consolidation Differences are immediately recognised as income for the period (on the transition date, the existing differences are derecognised by a corresponding entry in Retained Results)

TANGIBLE FIXED ASSETS

CIMPOR will maintain the historic cost as valuation criteria for its fixed assets. However, it will use the option provided by the IFRS 1 whereby the Group may re-evaluate some of the homogeneous classes of tangible fixed assets (those with a longer lifetime and assigned directly to cement production) on a fair-value basis on the transition date.

The depreciation policy will no longer include diminishing rates or annual depreciation allocations in the year of acquisition or of operation start-up. The new policy will apply straight line depreciation on a monthly basis.

COSTS OF RECOVERING QUARRIES

CIMPOR has a policy of progressively recovering space freed by its quarries. It enters these costs in the respective years of expenditure and sets up provisions whenever the respective funds are thought to be insufficient for the said recovery.

According to the IFRIC 1, the recovery costs must be added to the asset's value, by corresponding credit to a provision (periodically updated) and recognised at the same rate as the asset's depreciation.

MINORITY INTERESTS

Minority Interests are reflected as a component of the Shareholder's Equity.

RESERVE FOR EXCHANGE DIFFERENCES

IFRS 1 allows the Reserve for Exchange Differences to be derecognised on the transition date through a corresponding entry to Retained Earnings. CIMPOR will use this option since it will not have any impact on assets.

PAYROLL EXPENSES

- Bonuses – Bonuses paid as profit distributions, after the respective proposal has been approved at the General Meeting, have been recorded as a negative asset variance in the year in which they are actually paid. According to the IAS 19, these bonuses must be recognised as results in the year in which the respective services were rendered.

- Pension Liability – CIMPOR has been recording all actuarial gains and losses of the employee benefits plan. IAS 19 allows the recognition of actuarial gains or losses, provided the respective accumulated amount does not exceed 10% of current pension liability or of the fair value of the assets covering the respective liability, in which the highest of the two will be applied (if the said ceiling is exceeded, the excess is depreciated according to the average work years until reaching the retirement age of all employees covered). CIMPOR will use this option to recognise actuarial gains and losses after the transition date.
- Share Purchase Option Plans – According to Portugal's legal accounting practices, results determined in Share purchases Plan operations (since CIMPOR has a portfolio of own shares sufficient to meet those plans) have been recorded in a Reserve heading. According to IFRS 2, responsibilities from options allocated prior to the transition date, but not yet carried out after the said date, must be entered at their fair value, by a corresponding entry in Retained Results. Share options assigned after that date will be valued at their fair value as costs in the year.

EXTRAORDINARY COSTS AND INCOME

The International Financial Reporting Standards do not include headings for extraordinary income. Although this will not have any impact on assets, it will affect the way in which the year's results are presented.

Lisbon, 7 April 2005

THE BOARD OF DIRECTORS

Ricardo Manuel Simões Bayão Horta

Luís Eduardo da Silva Barbosa	Jacques Lefèvre
Jean Carlos Angulo	Jorge Manuel Tavares Salavessa Moura
Luís Filipe Sequeira Martins	Manuel Luís Barata de Faria Blanc
Pedro Maria Calaínho Teixeira Duarte	João Salvador dos Santos Matias
Vicente Arias Mosquera	Manuel Roseta Fino

3 CONSOLIDATED ANNUAL REPORT

Consolidated Financial Statements

CIMPOR

Consolidated Balance Sheets

as of 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 32)

(Amounts stated in thousands of euros)

	Notes	2004	2003
CURRENT ASSETS:			
Cash and cash equivalents		110,937	74,280
Short-term investments, net	4	128,517	218,454
Accounts receivable-trade, net	5	232,756	218,249
Accounts receivable-other, net	6	53,993	59,317
Inventories, net	7	153,111	135,327
Prepaid expenses and other current assets		14,246	7,375
Total current assets		693,560	713,002
Investments, net	8	245,439	151,906
Fixed assets, net	9	1,217,543	1,193,557
Intangible assets, net	10	891,170	891,919
Other non-current assets, net	6	4,997	33,656
Deferred taxes	18	121,772	105,132
Total assets		**3,174,481**	**3,089,172**
CURRENT LIABILITIES:			
Short term debt	11	156,287	333,601
Accounts payable-trade	12	146,176	131,309
Accounts payable-other	13	47,378	73,221
Accrued costs	14	196,954	34,485
Taxes payable	15	29,723	32,783
Deferred income		4,181	20,859
Provision for other risks and costs	16	144,998	127,949
Total current liabilities		725,697	754,207
Medium and long-term debt	11	1,312,772	1,197,811
Other non-current liabilities	17	19,761	15,809
Deferred taxes	18	69,584	82,430
Total liabilities		**2,127,814**	**2,050,257**
Minority interest	19	76,315	78,329
SHAREHOLDERS' EQUITY:			
Share capital	20	672,000	672,000
Own shares	20	(15,534)	(17,403)
Revaluation reserves	20	55,731	64,531
Legal reserve	20	76,500	67,200
Cumulative translation adjustments	20	(423,531)	(419,734)
Other reserves and retained earnings		419,277	408,109
Net income for the year		185,909	185,883
Total shareholders' equity		**970,352**	**960,586**
Total liabilities and shareholders' equity		**3,174,481**	**3,089,172**

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Profit and Loss

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 32)

(Amounts stated in thousands of euros)

	Notes	2004	2003
OPERATING REVENUE:			
Sales and services rendered	21	1,365,612	1,360,900
Other revenue and costs		10,513	9,398
Total operating revenue		**1,376,125**	**1,370,298**
OPERATING COSTS AND EXPENSES:			
Cost of inventories used in production or sold		(319,197)	(316,931)
Operating expenses		(435,104)	(380,655)
Payroll expenses	22	(155,176)	(152,965)
Depreciation and amortisation		(198,414)	(205,106)
Provisions		(12,079)	(18.433)
Other operating expenses		(7,978)	(7.254)
Total operating costs and expenses		**(1,127,948)**	**(1,081,344)**
Net operating income		248,176	288,954
Financial expenses, net	23	(6,486)	(35,515)
Extraordinary items, net	24	(5,775)	12,307
Income before income tax		235,916	265,746
Provision for income tax	18	(45,481)	(72,633)
Income before minority interest		190,434	193,113
Income applicable to minority interest, net	19	(4,525)	(7,230)
Net income for the year		**185,909**	**185,883**

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flows

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 32)

(Amounts stated in thousands of euros)

	Notes	2004	2003
OPERATING ACTIVITIES:			
Receipts from customers		1,628,777	1,603,451
Payments to suppliers		(868,948)	(801,593)
Payments to employees		(150,622)	(158,782)
Cash generated by operations		609,206	643,076
Payments relating to income tax		(32,355)	(36,175)
Other		(168,932)	(126,865)
Cash flow before extraordinary items		407,920	480,036
Receipts relating to extraordinary items		1,490	2,598
Payments relating to extraordinary items		(3,062)	(7,615)
Net cash flow from operating activities (1)		406,347	475,019
INVESTING ACTIVITIES:			
Receipts relating to:			
Acquisition of subsidiaries		-	600
Investments		5,272	8,595
Fixed assets		2,937	4,269
Intangible assets		-	3
State grants for investment		280	2,355
Interest and related income		24,140	38,222
Dividends		4,703	4,733
Other		4,063	414
Total receipts		**41,395**	**59,191**
Payments relating to:			
Acquisition of subsidiaries	(1)	(102,010)	(222,120)
Investments		(27,803)	(34,279)
Fixed assets		(167,206)	(155,062)
Intangible assets		(14,399)	(2,309)
Other		(1,161)	(29,028)
Total payments		**(312,579)**	**(442,798)**
Net cash used in investing activities (2)		(271,184)	(383,607)
Financing activities:			
Receipts relating to:			
Loans obtained		812,027	1,053,495
Own shares sold		1,832	4,356
Other		2,800	2,035
Total receipts		**816,659**	**1,059,886**
Payments relating to:			
Loans		(761,927)	(1,055,784)
Interest and related expenses		(69,459)	(114,160)
Dividends		(113,465)	(106,663)
Own shares purchased		-	(2,492)
Others		(13,794)	(9,574)
Total payments		**(958,646)**	**(1,288,673)**
Net cash used in financing activities (3)		(141,987)	(228,787)
Net change in cash and cash equivalents (4) = (1)+(2)+(3)		(6,824)	(137,375)
Net exchange rate effect		821	3,586
Net cash and cash equivalents - beginning of period		211,137	344,926
Net cash and cash equivalents - end of period		**205,134**	**211,137**

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Cash Flows (continued)

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 30) — Amounts stated in thousands of euros

1.

The purchases and sales of subsidiaries and other business interests are detailed in Note 8 to the Consolidated Financial Statements as of 31 December 2004

2.

Details of cash and cash equivalents:

	2004	2003
Cash	647	330
Bank deposits	110,291	73,950
Short-term investments and cash equivalents (gross)	128,517	218,454
Cash, bank deposits and treasury applications as stated in the balance sheet	239,455	292,734
Other treasury elements:		
Bank overdrafts	(34,320)	(81,597)
Net cash and cash equivalents	**205,134**	**211,137**

3.

At 31 December 2004, there were undrawn bank facilities of approximately 656.5 million euros.

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Changes in Shareholders' Equity

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 32)

(Amounts stated in thousands of euros)

	Share capital	Own shares	Revaluation reserve	Legal reserve	Cumulative translation adjustments	Other reserves and retained earnings	Net income for the year	**Total**
BALANCES AS OF 31 DECEMBER 2002	672,000	(19,245)	73,587	58,300	(353,603)	341,975	176,563	949,577
Earnings allocated to reserves	-	-	-	8,900	-	59,350	(68,250)	-
Dividends paid	-	-	-	-	-	-	(106,663)	(106,663)
Distribution of profits to employees	-	-	-	-	-	-	(1,650)	(1,650)
Acquisiton/sale of own shares	-	1,842	-	-	-	(34)	-	1,808
Other adjustments	-	-	(9,056)	-	-	6,818	-	(2,238)
Currency translation adjustments	-	-	-	-	(66,131)	-	-	(66,131)
Net income for the year	-	-	-	-	-	-	185,883	185,883
BALANCES AS OF 31 DECEMBER 2003	672,000	(17,403)	64,531	67,200	(419,734)	408,109	185,883	960,586
Earnings allocated to reserves	-	-	-	9,300	-	61,268	(70,568)	-
Dividends paid	-	-	-	-	-	-	(113,465)	(113,465)
Distribution of profits to employees	-	-	-	-	-	-	(1,850)	(1,850)
Acquisiton/sale of own shares	-	1,869	-	-	-	(37)	-	1,832
Other adjustments	-	-	(8,799)	-	-	(50,062)	-	(58,861)
Currency translation adjustments	-	-	-	-	(3,798)	-	-	(3,798)
Net income for the year	-	-	-	-	-	-	185,909	185,909
BALANCES AS OF 31 DECEMBER 2004	672,000	(15,534)	55,731	76,500	(423,531)	419,277	185,909	970,352

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2004

(Translated and reformatted from the Portuguese original - Note 32) — Amounts stated in thousands of euros

1. Introduction

Cimpor - Cimentos de Portugal, SGPS, S.A. ("the Company" or "Cimpor") was incorporated on 26 March 1976, as a wholly owned Portuguese Government company. After several privatisation phases Cimpor is now a public company listed on the Lisbon stock exchange. The Company operates in Portugal, Spain, Morocco, Mozambique, Angola, Brazil, Tunisia, Egypt and South Africa ("the Cimpor Group").

The Cimpor Group's investments are held essentially through two sub-holding companies; (i) Cimpor Portugal, SGPS, S.A., which holds the investments in companies dedicated to the production of cement, ready mix concrete, concrete parts and related activities in Portugal; (ii) Cimpor Inversiones, S.L., which holds the investments in companies with head offices abroad.

2. Basis of presentation

The attached consolidated financial statements have been prepared from the accounting records of Cimpor and its subsidiary companies listed below. The financial statements include certain adjustments and reclassifications in order to conform them to the Group's accounting policies. The consolidated financial statements are stated in thousands of euros and, except for the financial derivative instruments, hedge accounting and the measurement of certain financial investments recorded in accordance with IAS 39, were prepared in accordance with generally accepted accounting principles in Portugal ("Portuguese GAAP") which may be different from generally accepted accounting principles in other countries. The attached financial statements also include certain reclassifications in order to conform more closely to the form and content of financial statements presented in international financial markets.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the report period. Actual results could differ from those estimates.

The Group has fully consolidated the financial statements of all the significant subsidiary companies in which effective control is exercised by virtue of ownership of a majority of the voting rights. Revenue and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit and loss as from the date of their acquisition and up to the date of their disposal, respectively. All significant inter-group account balances and transactions have been eliminated in the consolidated financial statements and the interest of minority shareholders has been recognised in the consolidated financial statements.

The financial statements of the following companies have been consolidated in accordance with the full consolidation method:

HOLDING AND SUB-HOLDING COMPANIES

Name	Full name / headquarters	Effective participation
CIMPOR SGPS	CIMPOR - CIMENTOS DE PORTUGAL, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	-
CIMPOR PORTUGAL	CIMPOR PORTUGAL, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR INTERNACIONAL	CIMPOR INTERNACIONAL, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR INVESTIMENTOS	CIMPOR INVESTIMENTOS, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00

CIMPOR INVERSIONES	CIMPOR INVERSIONES, S.A. Calle Brasil, 56 36204 Vigo	100,00

CEMENT AREA - **Portugal**

Name	Full name / headquarters	Effective participation
CIMPOR INDÚSTRIA	CIMPOR – INDÚSTRIA DE CIMENTOS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
SCIAL	ESTABELECIMENTOS SCIAL DO NORTE, S.A. Av. Américo Duarte – S. Pedro Fins – Maia 4425 - 504 Maia	100,00
CECISA	CECISA - COMÉRCIO INTERNACIONAL, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CTA	CEMENT TRADING ACTIVITIES - COMÉRCIO INTERNACIONAL, S.A. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	88,95
MOSSINES	MOSSINES – CIMENTOS DE SINES, S.A. Rua Alexandre Herculano, 35 1250-009 Lisbon	100,00
CIMENTAÇOR	CIMENTAÇOR - CIMENTOS DOS AÇORES, LDA. Canada das Murtas, Pico da Pedra, Ribeira Grande 9500 - 618 Ponta Delgada	75,00

READY-MIX CONCRETE AND AGGREGATES AREA - **Portugal**

Name	Full name / headquarters	Effective participation
CIMPOR BETÃO SGPS	CIMPOR BETÃO - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR BETÃO	CIMPOR BETÃO - INDÚSTRIA DE BETÃO PRONTO, S.A. Av. Almirante Gago Coutinho, Portela de Sintra 2710 - 418 Sintra	100,00
BETAÇOR	BETAÇOR - FABRICO DE BETÃO E ARTEFACTOS DE CIMENTO, S.A. Rua dos Pastos – Beljardim 9760 – 511 Praia da Victória	75,00
AGREPOR	AGREPOR-AGREGADOS E EXTRACÇÃO DE INERTES, S.A. Sangardão – Furadouro 3150 – 999 Condeixa-a-Nova	100,00
INERGRANITOS	INERGRANITOS, S.A. Lugar e Freguesia de Canas de Senhorim - Nelas 3525 – 044 Canas de Senhorim	100,00
JOMATEL	JOMATEL - EMPRESA DE MATERIAIS DE CONSTRUÇÃO, S.A. Tapada da Quinta de Cima – Est. de Albarraque – Linhó 2714 Sintra	90,00
BETABEIRAS	BETABEIRAS - BETÕES DA BEIRA, S.A. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	88,95
BETÃO LIZ	BETÃO LIZ, S.A. Rua Qtª Paizinho – Edifício Bepor, Bloco 2–1º 2790 – 237 Carnaxide	66,44
VERMOFEIRA	VERMOFEIRA - EXTRACÇÃO E COMÉRCIO AREIAS, LDA. Rua Qtª Paizinho – Edifício Bepor, Bloco 2–1º Esq. 2790 – 237 Carnaxide	100,00
JOBRITA	JOBRITA - INDÚSTRIAS EXTRACTIVAS, S.A. R. Vaz Monteiro, 192 – r/c Esq. 2580 – 505 Carregado	66,44
FORNECEDORA	FORNECEDORA DE BRITAS DO CARREGADO, S.A. Rua Vaz Monteiro, 192 – r/c Esq. 2580 - 505 Carregado	100,00

M.C.D.	M.C.D. - MATERIAIS CONSTRUÇÃO DRAGADOS E BETÃO PRONTO, S.A. Rua Qtª Paizinho – Edifício Bepor, Bloco 2–1º 2790 – 237 Carnaxide	66,44
BETRANS	BETRANS - SOCIEDADE PRODUTORA E DISTRIBUIDORA DE BETÃO TRANSMONTANO, S.A. Zona Industrial das Cantarias, Lt 189/190 5300 - 212 Bragança	100,00
IBERA	IBERA - INDÚSTRIA DE BETÃO, S.A. Qtª da Madeira, Estrada Nac. 114, km 85 7002 - 505 Évora	50,00
BEPRONOR	BEPRONOR - SOCIEDADE DE BETÃO PRONTO DO NORDESTE, S.A. R. Alexandre Herculano, 35 1250 - 009 Lisbon	100,00

PRECAST AREA - **Portugal**

Name	Full name / headquarters	Effective participation
VILAJE	VILAJE - VIGAS E LAGES PRÉ-ESFORÇADAS, LDA. Feiteira – Seixezelo - Vila Nova de Gaia 4415 - 556 Grijó	100,00
PREDIANA	PREDIANA - SOCIEDADE DE PRÉ-ESFORÇADOS, S.A. Zona Industrial de Adua 7050 – 001 Montemor-o-Novo	100,00
GEOFER	GEOFER - PRODUÇÃO E COMERCIALIZAÇÃO DE BENS E EQUIPAMENTOS, S.A. Rua Alexandre Herculano, 35 1250-009 Lisbon	100,00
PRECADAR	PRECADAR - PONTES E VIADUTOS PRÉ - FABRICADOS, LDA. Av. Severiano Falcão, 8 – Edifício Cimpor 2685 - 378 Prior Velho	100,00

OTHER RELATED ACTIVITIES - **Portugal**

Name	Full name / headquarters	Effective participation
SACOPOR	SACOPOR - SOCIEDADE DE EMBALAGENS E SACOS DE PAPEL, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR TEC	CIMPOR TEC – ENGENHARIA E SERVIÇOS TÉNICOS DE APOIO AO GRUPO, S.A. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	100,00
CIARGA	CIARGA - ARGAMASSAS SECAS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
TRANSVIÁRIA	TRANSVIÁRIA - GESTÃO DE TRANSPORTES, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
T.P.A.	T.P.A. - TRANSPORTES STº. ANDRÉ, LDA. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
ALEMPEDRAS	ALEMPEDRAS - SOCIEDADE DE BRITAS, LDA. Casal da Luz – Bairro – Santa Maria 2510 Óbidos	100,00
CIMADJUVANTES	CIMADJUVANTES - COMERCIALIZAÇÃO E PRODUÇÃO DE ADJUVANTES PARA CIMENTO, LDA. Av. Severiano Falcão, 8 – Edifício Cimpor 2685 - 378 Prior Velho	100,00
CELFA	CELFA – SOCIEDADE INDUSTRIAL DE TRANSFORMAÇÃO DE GESSOS, S.A. Zona Industrial de Soure, Lt. 26 e 27 3130 – 551 Soure	100,00
SCORECO	SCORECO - VALORIZAÇÃO DE RESÍDUOS, LDA. Av. Severiano Falcão, 8 – Edifício Cimpor 2685 - 378 Prior Velho	100,00
KANDMAD	KANDMAD – SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, LDA. Av. Arriaga, 77, Edifício Marina Fórum, 1º, sala 103, Sé 9000 – 060 Funchal	99,93

INTERNATIONAL AREA - **Spain**

Name	Full name / headquarters	Effective participation
CORPORACIÓN NOROESTE	CORPORACIÓN NOROESTE, S.A. Brasil, 56 36 204 Vigo	99,53
C.N. HORMIGONES Y ARIDOS	CORPORACIÓN NOROESTE DE HORMIGONES Y ARIDOS, S.L. Brasil, 56 36 204 Vigo	99,53
S.C.M.C. ANDALUCIA	SOCIEDAD DE CEMENTOS Y MATERIALES DE CONSTRUCCIÓN DE ANDALUCIA, S.A. Av. de la Agrupacíon de Córdoba, 15 14 014 Córdoba	99,53
CEMENTOS ANDALUCIA	CEMENTOS DE ANDALUCIA, S.L. Av. de la Agrupacíon de Córdoba, 15 14 014 Córdoba	99,53
OCCIDENTAL HORMIGONES	OCCIDENTAL DE HORMIGONES, S.L. Calle la Viela Polígono Industrial el Nevero 06006 Badajoz	99,53
CEMENTOS EL MONTE	CEMENTOS EL MONTE, S.A. 21810 – Palos de la Frontera (Huelva) Puerto Exterior de Huelva Muelle Ingeniero Juan Gonzalo s/n	99,53
CEMENTOS NOROESTE	CEMENTOS NOROESTE, S.L. Brasil, 56 36 204 Vigo	99,53
SERMACONSA	SERVICIOS Y MATERIALES PARA LA CONSTRUCCIÓN, S.A. Brasil, 56 36 204 Vigo	99,53
SILOS GALICIA	SILOS GALICIA, S.A. Calle Montero Rios, 30 – 1º 36201 Vigo	99,53
MORTEROS NOROESTE	MORTEROS NOROESTE, S.L. Brasil, 56 36 204 Vigo	99,53
MORTEROS GALICIA	MORTEROS DE GALICIA, S.L. Brasil, 56 36 204 Vigo	99,53
HORMIGONES HÉRCULES	HORMIGONES HÉRCULES, S.L. Polígono Industrial – El Prado – 40 – Mérida 06800 – Badajoz	99,53
S.I.F. GALLEGA	SOCIEDAD INDUSTRIAL Y FINANCEIRA GALLEGA, S.L. Brasil, 56 36 204 Vigo	99,53
HORMIGONES MIÑO	HORMIGONES MIÑO, S.L. Brasil, 56 36 204 Vigo	99,51
CEMENTOS COSMOS	CEMENTOS COSMOS, S.A. Brasil, 56 36 204 Vigo	99,28
PREBETONG N. CANTERAS	PREBETONG NOROESTE DE CANTERAS, S.L. Brasil, 56 36204 Vigo	98,41
PREBETONG GALICIA	PREBETONG GALICIA, S.A. Brasil, 56 36 204 Vigo	98,41
CANTERAS PREBETONG	CANTERAS PREBETONG, S.L. Brasil, 56 36 204 Vigo	98,41
BRAÑAS DE BRÍNS	BRAÑAS DE BRÍNS, S.A. Brasil, 56 36 204 Vigo	98,41
BOMTRAHOR	BOMBEO Y TRANSPORTE DE HORMIGON, S.A. Brasil, 56 36 204 Vigo	92,79

Name	Full name / headquarters	Effective participation
PREBETONG LUGO	PREBETONG LUGO, S.A. Av. Benigno Rivera s/n Polígono Industrial del Ceao 27 003 Lugo	81,56
HORMIGONES MARIÑA	HORMIGONES MARIÑA, S.L. Carretera Santander – Ferrol. Lugar de Camba Município de Xove 27 870 Lugo	99,20
MATERIALES ATLÁNTICO	MATERIALES DEL ATLÁNTICO, S.A. Polígono Industrial Lagoas – Carretera Cedeira Km. 1,5 15 570 Narón (A Coruña)	53,90
HORMINGONES LA BARCA	HORMIGONES Y ÁRIDOS LA BARCA, S.A. Calle La Barca, nº 14 36 002 Pontevedra	49,77
ARICOSA	ARIDOS DE LA CORUÑA, S.A. Candame 15 142 Arteixo La Coruña	49,21
CANPESA	CANTEIRA DO PENEDO, S.A. Reina, 1 – 3º 27 001 Lugo	40,77

INTERNATIONAL AREA - **Morocco**

Name	Full name / headquarters	Effective participation
ASMENT DE TEMARA	ASMENT DE TEMARA, S.A. Ain Attig – Route de Casablanca Témara	62,60
BETOCIM	BETOCIM, S.A. Ain Attig – Route de Casablanca Témara	100,00

INTERNATIONAL AREA - **Tunisia**

Name	Full name / headquarters	Effective participation
C.J.O.	SOCIÉTÉ DES CIMENTS DE JBEL OUST 3, Rue de Touraine, Cité Jardins 1002 Tunis – Belvédère, Tunisie	100,00

INTERNATIONAL AREA - **Brazil**

Name	Full name / headquarters	Effective participation
C.C.B.	COMPANHIA DE CIMENTOS DO BRASIL, S.A. Avª Maria Coelho Aguiar, 215 – Bloco E – 8º J. São Luís – São Paulo/SP – Brasil	100,00
ATOL	COMPANHIA DE CIMENTO ATOL, S.A. Fazenda S. Sebastião Alagoas - S. Miguel dos Campos	100,00
CIMEPAR	COMPANHIA PARAIBA DE CIMENTO PORTLAND, S.A. Fazenda da Graça – Ilha de Bispo-Cidade João Pessoa Paraiba – Brasil	100,00
C.B.	CIMPOR BRASIL, LDA. Av. Mª Coelho Aguiar, 215 Bl E – 8º J. São Luís – São Paulo/SP – Brasil	100,00

INTERNATIONAL AREA - **Mozambique**

Name	Full name / headquarters	Effective participation
CIM. MOÇAMBIQUE	CIMENTOS DE MOÇAMBIQUE, S.A.R.L. Av. Fernão de Magalhães, 34 – 2º, nº1 Maputo – Caixa Postal 270	65,41
CIMBETÃO	CIMPOR BETÃO MOÇAMBIQUE, S.A.R.L. Estrada de Lingamo Matola	65,41
PREMAP	PREFABRICADOS DE MAPUTO, S.A.R.L. Avª 24 de Julho, 2096, 4º Andar Maputo	53,11

INTERNATIONAL AREA - **Egypt**

Name	Full name / headquarters	Effective participation
AMREYAH	AMREYAH CEMENT COMPANY El Gharbaneyat – Borg El Arab City P. O. Box 21511 Alexandria	96,39
CEC	CIMPOR EGYPT FOR CEMENT El Gharbaneyat – Borg El Arab City P.O. Box 21511 Alexandria	100,00
AMREYAH CIMPOR	AMREYAH CIMPOR CEMENT COMPANY, S.A.E. El Gharbaneyat – Borg El Arab City P.O. Box 21511 Alexandria	97,29
CSC	CEMENT SERVICES COMPANY, S.A.E. El Gharbaneyat – Borg El Arab City P.O. Box 21511 Alexandria	98,37
CIMPSAC	CIMPOR SACS MANUFACTURE COMPANY, S.A.E. El Gharbaneyat – Borg El Arab City P.O. Box 21511 Alexandria	97,15

INTERNATIONAL AREA - **South Africa**

Name	Full name / headquarters	Effective participation
NPC	NATAL PORTLAND CEMENT COMPANY (PTY) LTD. 199 Coedmore Road Bellair 4094 Durban South Africa	100,00
DCL	DURBAN CEMENT LTD. 199 Coedmore Road Bellair 4094 Durban South Africa	100,00
SRT	THE SIMUMA REHABILITATION TRUST 1 Wedgelink Road Bryanstone South Africa	100,00
NPC - CELL "A7"	NATAL PORTLAND CEMENT (PTY) – CELL "A7" 5 th Floor Sa Eagle House 70 Fox Street Johannesburg South Africa	100,00
CONCRETE	CONCRETE MIX (PTY) LTD. T/A SOUTH COAST MIXED CONCRETE P. O. Box 255 4240 Port Shepstone	100,00
S C STONE	SOUTH COAST STONE CRUSHERS (PTY) LTD. P. O. Box 255 4240 Port Shepstone	100,00
EEDESWOLD	EEDESWOLD HIGHLANDS (PTY) LTD. P.O. Box 255 4240 Port Shepstone	100,00

UNRELATED ACTIVITIES

Name	Full name / headquarters	Effective participation
CIMPOR SERVIÇOS	CIMPOR – SERVIÇOS DE APOIO À GESTÃO DE EMPRESAS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR SAGESA	CIMPOR SERVICIOS DE APOIO À LA GESTION DE EMPRESAS, S.A. Brasil, 56 36 204 Vigo	100,00
CIMPOR FINANCE	CIMPOR FINANCE LIMITED 2 Harbourmaster Place Custom House Dock Dublin 1	100,00
CIMPOR B.V.	CIMPOR FINANCIAL OPERATIONS, B.V. Teleportboulevard 140 1043 EJ Amesterdam	100,00
SCANANG	SCANANG HOLDING, LTD. Gibraltar, 28 Irish Town	100,00
PENROD	PENROD INVESTMENTS LIMITED Suite 9.4.1.B – Europort – Gibraltar	100,00
CIMPOR IMOBILIÁRIA	CIMPOR IMOBILIÁRIA, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
MECAN	MECAN - MANUFACTURA DE ELEMENTOS DE CASAS DE CONSTRUÇÃO NORMALIZADA, LDA. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	100,00
RETONOBA	RETONOBA, S.A. Brasil, 56 36 204 Vigo	100,00
FIVACAR	97 2000 FIVACAR, S.L. Calle Serrano, 91 Madrid	100,00
99 SHIP	99 SHIP, S.A. Calle Serrano, 91 Madrid	100,00
VEIROCIR	VEIROCIR – COMÉRCIO DE CIMENTOS, LDA. Rua Augusto Marques Bom, 21 Freguesia de Santo António dos Olivais 3030 – 218 Coimbra	100,00
CIMPSHIP	CIMPSHIP – TRANSPORTES MARÍTIMOS, S.A. Rua Dr. Brito da Câmara, 20 – 1º Freguesia da Sé 9000-039 Funchal	60,00
CIMPOR REINSURANCE	CIMPOR REINSURANCE, S.A. – SOCIÉTÉ ANONYME DE REASSURANCE 65, Avenue de la Gare L 1611 - Luxemburgo	100,00

The following subsidiary companies were excluded from the consolidation and the related investments are recorded at cost (Note 8), as they are not significant for a true and fair presentation of the financial position and results of operations of the Group:

OTHER RELATED ACTIVITIES - **Mozambique**

Name	Full name / headquarters	Effective participation
C.C. MOÇAMBIQUE	COMPANHIA DOS CIMENTOS DE MOÇAMBIQUE	86,02
IMOPAR	IMOPAR - IMOBILIÁRIA DE MOÇAMBIQUE, S.A.R.L. Avª 24 de Julho, 2096 - 4º Maputo	95,00

Investments in associated companies, recorded in accordance with the equity method, are as follows:

CEMENT AREA - **Portugal**

Name	Full name / headquarters	Effective participation
SEMAPA	SEMAPA - SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. Av. das Forças Armadas, 125 – 7º 1600 - 079 Lisbon	20,02
CIMENTOS MADEIRA	CIMENTOS MADEIRA, LDA. Estrada Monumental, 433 – São Martinho 9000 - 236 Funchal	42,86
C + P.A.	C + P.A. – CIMENTO E PRODUTOS ASSOCIADOS, S.A. Av. Eng.º Duarte Pacheco, Torre Um, 15º Piso 1070-101 Lisbon	48,00
CECIME	CECIME – CIMENTOS, S.A. R. Cintura do Porto de Lisboa, Armazém, 21 Topo Norte 1900 – 649 Lisbon	20,00

OTHER RELATED ACTIVITIES - **Portugal**

Name	Full name / headquarters	Effective participation
PRESCOR	PRESCOR - PRODUÇÃO DE ESCÓRIAS MOÍDAS, LDA. Aldeia de Paio Pires 2840 Seixal	35,00
SETEFRETE	SETEFRETE, SGPS, S.A. Av. Luísa Todi, 1 – 1º 2900 – 459 Setúbal	25,00

INTERNACIONAL AREA - **Spain**

Name	Full name / headquarters	Effective participation
CEMENTOS ANTEQUERA	CEMENTOS ANTEQUERA, S.A. Carretera del Polvorín km 2, margen izquierdo 29 540 Bobadilla, Estacíon. Málaga	21,35

INTERNACIONAL AREA - **Angola**

Name	Full name / headquarters	Effective participation
NOVA CIMANGOLA	NOVA CIMANGOLA, S.A. Av. 4 de Fevereiro, 42 Luanda	49,00

UNRELATED ACTIVITIES

Name	Full name / headquarters	Effective participation
KEEFERS	KEEFERS FINANCE, S.A. Pasea Estate, Road Town-P.O.Box 3149 – Portola British Virgin Island	23,13
CORTEZO	CORTEZO, N.V. P.O.Box 6050, Curaçao Netherlands Antilles	30,00
ARENOR	ARENOR, S.L. Calle Montecarmelo, 1 – 5º C Sevilla	28,57

AUXILIAR DE ÁRIDOS	AUXILIAR DE ÁRIDOS, S.L. Calle Montecarmelo, 1 – 5º C Sevilla	28,45

Cimentos Madeira has investments in the following subsidiary companies, recorded in accordance with the equity method, that operate in the ready mix concrete and aggregates area:

Name	Full name / headquarters	Effective participation
BETO MADEIRA	BETO MADEIRA - BETÕES E BRITAS DA MADEIRA, S.A. Fundoa de Cima – S. Roque 9000 - 801 Funchal	42,86
BRIMADE	BRIMADE - SOCIEDADE DE BRITAS DA MADEIRA, S.A. Fundoa de Cima – S. Roque 9000 - 801 Funchal	42,86
MADEBRITAS	MADEBRITAS - SOCIEDADE DE BRITAS DA MADEIRA, LDA. Fundoa de Cima – S. Roque 9000 - 801 Funchal	21,86
PROMADEIRA	PROMADEIRA - SOCIEDADE TÉCNICA DE CONSTRUÇÃO DA ILHA DA MADEIRA, LDA. Sítio da Cancela, São Gonçalo 9050 - 299 Funchal	42,86
PEDRA REGIONAL	PEDRA REGIONAL – INDÚSTRIA TRANSFORMADORA DE PEDRAS ORNAMENTAIS, LDA. Estrada Monumental, 433 São Martinho 9000 – 236 Funchal	30,00
J.M.J. HENRIQUES	J.M.J. HENRIQUES, LDA. Caminho do Ribeiro Real, 10 Câmara dos Lobos 9300 – 006 Câmara dos Lobos	21,43
SANIMAR – MADEIRA	SANIMAR - MADEIRA, SOCIEDADE DE MATERIAIS DE CONSTRUÇÃO, LDA. Sítio da Cancela, São Gonçalo 9050 - 299 Funchal	42,86

The following associated companies were excluded from the consolidation and the related investments are recorded at cost (Note 8), as they are not significant for a true and fair presentation of the financial position and results of operations of the Group:

INTERNACIONAL AREA - **Spain**

Name	Full name / headquarters	Effective participation
HORMIGONES CELANOVA	HORMIGONES MIRANDA CELANOVA, S.A. Crta. de Casasoá, km. 0,1 – La Caseta - Celanova Orense	39,36

INTERNACIONAL AREA - **Egypt**

Name	Full name / headquarters	Effective participation
ERMCC	EXPRESS READY MIX CONCRETE COMPANY 23, Talat Harb ST. - Cairo	28,91

UNRELATED ACTIVITIES

Name	Full name / headquarters	Effective participation
ETG	ETG - EMPRESA DE TRANSPORTES E GESTÃO, S.A. Rua Corpo Santo, 6 – 2º 1200 Lisbon	44,90

SGS	SGS - INDÚSTRIAS DE MADEIRA, S.A. Pico do Cardo – S. António 9000 Funchal	35,00

The following subsidiary companies were consolidated in accordance with the proportional method as they are managed jointly with the other shareholder:

OTHER RELATED ACTIVITIES - **Portugal**

Name	Full name / headquarters	Effective participation
ECORESÍDUOS	ECORESÍDUOS - CENTRO DE TRATAMENTO E VALORIZAÇÃO DE RESÍDUOS, LDA. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	50,00

INTERNACIONAL AREA - **Brazil**

Name	Full name / headquarters	Effective participation
ECO-PROCESSA	ECO-PROCESSA – TRATAMENTO DE RESÍDUOS LTDA. Av. Rio Branco, 110 – 39º - parte Cidade do Rio de Janeiro Estado do Rio de Janeiro	50,00

Investments in affiliated companies, where the Group's interest is equal to or less than 20%, that were excluded from the consolidation, are as follows:

READY-MIX CONCRETE AND AGGREGATES AREA - **Portugal**

Name	Full name / headquarters	Effective participation
CEVALOR	CEVALOR - CENTRO TECNOLÓGICO PARA APROVEITAMENTO E VALORIZAÇÃO DE ROCHAS ORNAMENTAIS E INDUSTRIAIS Estrada Nacional 4, Km 158 7150 - 208 Borba	9,95

INTERNACIONAL AREA - **Spain**

Name	Full name / headquarters	Effective participation
AMINSA	APLICACIONES MINERALES, S.A. Ayto. de Valle de Oca, Camino Fuente Herrero, s/n 09 258 Cuevacardiel – Burgos	11,94
CEMENTOS LEMONA	CEMENTOS LEMONA, S.A. Alameda de Urquijo, 10 – 2º 48 008 Bilbao	19,38

INTERNACIONAL AREA - **Egypt**

Name	Full name / headquarters	Effective participation
UCF	UNITED COMPANY FOR FOUNDRIES 20, El – Gazayer Street New Naadi - Cairo	13,49
ASCOM	ASCOM 26, Road 265 New Maadi - Cairo	9,64
ASEMPRO	ASEMPRO 5, Street 260 New Maadi – Cairo	9,64

UNRELATED ACTIVITIES

Name	Full name / headquarters	Effective participation
NEFELE	COMPANHIA INDUSTRIAL DE SIENITOS NEFELÍNICOS, S.A. Serro da Cabeça Alta – Apartado, 45 8101 Loulé Codex	10,00

The more significant changes in the year ended 31 December 2004 in the companies included in the consolidation were as follows:

- Acquisition by Agrepor of all the share capital of Inergranitos ;
- Acquisition by Corporacíon Noroeste of all the share capital of Äridos Donoso del Rio, and subsequent acquisition of 18 ready mix concrete plants and change in the company's name to Occidental de Hormigones;
- Acquisition by Canteras Prebetong of all the share capital of Brañas de Bríns;
- Acquisition by Retonoba of 28.75% of the capital of Arenor;
- Acquisition by Sociedad Industrial y Financeira Gallega of 54.15% of the capital of Materiales del Atlântico;
- Acquisition by Cimpor Indústria of all the capital of Scanang Holding, the only asset of which is a 49% participation in Nova Cimangola;
- Acquisition by Retonoba (65%) and 99 Ship (35%) of all the share capital of Veirocir;
- Acquisition by Natal Portland Cement Company of all the share capital of the companies Concrete Mix, South Coast Stone Crushers and Eedeswold.

The effect of these changes in the consolidation perimeter was as follows:

	Increases/ decreases
Intangible assets	4,383
Fixed assets	38,514
Investments	42,237
Inventories	3,577
Accounts receivable	8,728
Current liabilities	(40,043)
Minority interest	(817)
	56,579
Goodwill	49,406
Investments	(3,975)
Net amount paid	102,010
Cash and equivalents	1,864
Net impact	**107,848**

3. Summary of significant accounting policies

The principal accounting policies used in the preparation of the consolidated financial statements are:

Intangible assets

This caption consists primarily of goodwill and research and development expenses.

Goodwill arises from the difference between the cost of the investments in subsidiary companies and the related fair value of the subsidiaries' net assets as of the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over the estimated realisation periods, which vary from five to twenty years.

Research and development costs incurred on specific projects with economic value are amortised on a straight-line basis over three years.

Investments

Investments in the majority of associated companies (Note 2) are recorded in accordance with the equity method, the investments being initially recorded at cost, which is then increased or decreased by the difference between cost and the proportional amount of the participation in the equity of these companies, as of the date of acquisition or the date the equity method was first applied.

In accordance with the equity method investments are adjusted periodically by the amount corresponding to the participation in the net results of the associated companies by corresponding entry to financial income and expenses (Note 23), and by other differences in their equity accounts. In addition, dividends received from these companies are recorded as decreases in the amounts of the investments.

Investments earmarked as available for sale are recorded at market value in the caption "Other investments", changes in their fair value being recorded in the caption "Other reserves".

The remaining investments are recorded at cost less provisions for estimated losses on their realisation.

Fixed assets

Fixed assets are stated at cost, which includes acquisition expenses, or, in the case of certain fixed assets acquired up to 31 December 1992, at restated amounts computed in accordance with the revaluation criteria established by the applicable Portuguese legislation. Gains and losses on the disposal of fixed assets are recorded as extraordinary items.

Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets, except for certain basic equipment which is depreciated using declining depreciation rates. In both methods, the full annual rate is used in the year of acquisition. The rates of depreciation correspond to the following estimated average years of useful life:

	Years
Buildings and other constructions	10 – 50
Basic equipment	7 – 20
Transportation equipment	4 – 8
Tools and dies	2 – 8
Administrative equipment	2 – 14
Other tangible fixed assets	2 – 10

The cost of acquired quarries included in the balance sheet caption land and natural resources is depreciated in accordance with the expected useful lives of the related quarries.

Improvements in fixed assets are depreciated according to the increase in the useful life of the respective assets.

The cost of recurring maintenance and repairs is expensed as incurred. Significant renewals and betterments are capitalised.

Finance leases

Fixed assets acquired under lease contracts and the related liabilities are recorded in the balance sheet and the fixed assets are depreciated over their estimated useful lives. The capital portion included in the lease instalments paid is recorded as a reduction of the liability under the lease and the interest portion is expensed in the period to which it relates.

Inventories

Inventories, including work in progress, are stated at the lower of cost or net realisable value. In general, cost is determined under the weighted average cost method, and includes transport and handling costs. In the case of manufactured products, cost includes all direct costs and production overheads. Losses arising from obsolete, slow moving and defective inventories are provided for.

Whenever the market value of inventories is lower than cost the difference is provided for in the caption provision for inventory losses, which is reversed when the reasons for which it was recorded no longer exist.

Provisions

The provision for doubtful accounts receivable is stated at the amount considered necessary to cover potential risks in the collection of overdue accounts receivable balances.

Other provisions are recorded for the amounts necessary to cover estimated losses.

Foreign currency transactions and balances

Foreign currency assets and liabilities for which there is no fixed exchange agreement are translated to euros at the rates of exchange prevailing at the balance sheet date. Exchange differences are credited or charged to the statement of profit and loss in the year in which they arise, except for the following, which are recorded in the balance sheet caption "Cumulative translation adjustments":

- Exchange differences arising on the translation of medium and long term foreign currency inter-group balances which, in practice, correspond to an extension of the investments;
- Exchange differences arising on financial operations hedging exchange risk on foreign currency investments, as established in International Accounting Standard (IAS) 21, provided that they comply with the efficiency criteria established in IAS 39.

Translation of financial statements

The financial statements of subsidiaries operating in foreign countries are translated to euros, using the following exchange rates:

- Assets and liabilities: exchange rates prevailing at the balance sheet date;
- Profit and loss statement: average exchange rates for the period;
- Share capital, reserves and retained earnings: historical exchange rates; and

- Cash flow statement: average exchange rates for the period for cash flows where these rates are close to the effective exchange rates; for the remaining cash flow items, the exchange rate of the day of the operation.

The effect of translation differences is recorded in the shareholders' equity caption "Cumulative translation adjustments". When investments in subsidiaries are sold, the related cumulative translation adjustment is transferred to the statement of profit and loss, as established in IAS nº 21.

Due to the specific characteristics of the Mozambique exchange rate, the financial statements of subsidiary companies operating in that country are translated as follows:

- Fixed assets and shareholders' equity balances are maintained in US Dollars, at historical rates of exchange;
- Monetary assets and liabilities are translated at current exchange rates, the exchange differences being recognised as financial income or expenses for the period.

Retirement benefits

Certain subsidiary companies have assumed the responsibility for paying additional pensions to those paid by the Portuguese Social Security, under two different schemes: a defined benefit plan and a defined contribution plan. The related liabilities are recorded in accordance with Portuguese Accounting Directive 19.

In accordance with this directive, payments made to the defined contribution plan are expensed in the year to which they relate. In the case of the defined benefits plan, costs are expensed over the normal active service life of the employees. An actuarial valuation is performed at the end of each period in order to calculate the present value of the past service liability and the cost to be recorded in the period. The present value of the past service liability is compared with the market value of the plan's assets in order to determine the differences to be recorded in the balance sheet. The costs incurred in the year are recorded as payroll expenses, based on the actuarial data.

Healthcare benefits

Certain subsidiary companies provide supplementary healthcare benefits to their employees in addition to those provided by the Public Social Security. The liability resulting from these benefits is recorded in a similar manner to the retirement pension liability and cost referred to above.

Specific provisions to cover this liability are recorded in accordance with the criteria established by Portuguese Accounting Directive nº 19.

The actuarially determined liability for the cost of healthcare to be provided as from the retirement age of employees is recorded in the balance sheet caption "Provisions for risks and costs" (Note 16).

Income tax

The Cimpor Group has adopted the tax consolidation regime presently in force in Portugal. In accordance with this regime the provision for income tax is determined based on the estimated consolidated taxable income of all the companies covered by the regime (all the 90% or more owned subsidiaries located in Portugal). The remaining group companies not covered by the tax consolidation regime are taxed individually based on their respective taxable income, computed in accordance with the tax legislation, at the applicable tax rates.

The income tax provision is computed in accordance with Portuguese Accounting Directive 28, whereby timing differences between accounting and taxable income are considered.

Deferred tax assets and liabilities are calculated and revised periodically using the rates expected to be in force when the timing differences reverse.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits will exist to use them. A reappraisal of the timing differences underlying the deferred tax assets is made at the balance sheet date, so as to recognise or adjust them, based on the current expectation of their future recovery.

Income tax on the cumulative foreign currency translation adjustments arising on foreign currency loans, which effectively function as a hedge for foreign currency investments, is recorded in the equity caption "Cumulative translation adjustments" as established in International Accounting Standard (IAS) 12.

Revaluation reserve

Amounts recorded under this caption, resulting from the revaluation of fixed assets in accordance with the criteria defined in Portuguese legislation, are transferred to retained earnings when the corresponding assets are realised through sale, write-off or depreciation. In general terms, these amounts are not available for distribution since they can only be used to increase share capital or to cover losses incurred up to the end of period to which the revaluation relates.

Environmental reinstatement of land used for quarries

In accordance with legislation in force in several of the geographical areas where Group operates, land used for quarries must be environmentally reinstated.

Provisions are recorded to cover the estimated cost of environmentally recovering and reconstituting the land used for quarries, whenever this can be reasonably determined. Such provisions are recorded over the period the quarries are operated, based on the conclusions of landscape recovery studies.

In addition, the Group has the procedure of progressively reconstituting the areas freed up by the quarries, using the provisions recorded or, where these are insufficient, recognising the cost in the period in which it is incurred.

Accruals basis

The Group records income and expenses on an accruals basis. Under this basis income and expenses are recorded in the period to which they relate independently of when the corresponding amounts are received or paid. Differences between the amounts received and paid and the related income and expenses are recorded in accrual and deferral captions.

Government grants

Grants that relate to specific capital expenditure are accounted for as deferred income and amortised over the lives of the related assets. Other grants are credited to income as received.

Current classification

Assets to be realised and liabilities to be settled within one year of the balance sheet date are classified as current.

Financial derivative instruments and hedge accounting

The Group has the policy of using financial derivative instruments to hedge interest and exchange rate risks to which it is exposed.

The Group does not resort to financial derivatives for speculation purposes.

Financial derivatives are used in accordance with internal policies defined by the Board of Directors.

Financial derivatives are valued at their respective fair values, the method of recognising them depending upon their nature and the purpose for which they are contracted.

HEDGE ACCOUNTING

Financial instruments are designated as hedging instruments in accordance with the provisions of IAS 39, namely as regards their documentation and effectiveness.

Changes in the fair value of derivatives designated as fair value hedging instruments, as well as in the fair value of the assets or liabilities subject to such risk, are recognised as financial income and expenses for the period.

Changes in the fair value of derivatives designated as cash flow hedging instruments are recorded in the caption "Other reserves" as regards their effective component and in financial income and expenses as regards their non-effective component. The amounts recorded in the caption "Other reserves" are transferred to financial income and expenses in the period in which the item covered also affects profit and loss.

As in the case of cash flow hedging instruments, changes in the value of derivates hedging net investments in foreign entities are recorded in the caption "Cumulative translation adjustments" as regards their effective component and in the statement of profit and loss for the period as regards their non-effective component. If the hedging instrument is not a derivative, the variations resulting from changes in exchange rates are recorded in the caption "Cumulative translation adjustments".

Hedge accounting is discontinued when a hedging instrument reaches maturity, it is sold or exercised or when the hedge stops complying with the requirements of IAS 39.

TRADING INSTRUMENTS

Changes in the fair value of financial derivatives contracted for hedging purposes in accordance with the Group’s risk management policies, but which do not comply with the requirements of IAS 39 to qualify for hedge accounting, are recorded in the statement of profit and for the period in which they occur.

4. Short-term investments, net

Investments classified as trading investments are recorded at market value in the caption "Short-term investments, net", changes in their fair value being recorded as financial income or expenses.

Other negotiable securities are recorded at cost less provisions for estimated losses on their realisation.

These investments are considered as cash equivalents for cash flow purposes.

5. Accounts receivable – trade, net

This caption consists of:

	2004	2003
Accounts receivable from costumers	224,158	212,941
Notes receivable	2,768	1,780
Doubtful accounts receivable	34,179	41,084
Advances to suppliers	4,167	1,793
	265,273	257,598
Less: Provision for doubtful accounts receivable	(32,517)	(39,349)
	232,756	**218,249**

The Group classifies, as doubtful, specific overdue accounts receivable balances from customers. As these balances, together with other accounts receivable from customers, are not fully collectible, the Company records a provision for doubtful accounts receivable to cover the estimated loss on their realisation.

6. Other accounts receivable and other non-current assets

This caption consists of:

	2004	2003
Accounts receivable – other, net:		
Accounts receivable from:		
Associated companies	32	2,133
Other	1,599	191
Accounts receivable from public entities	32,669	21,313
Other receivables	19,989	35,956
	54,288	59,593
Less: Provision for doubtful accounts receivable	(295)	(276)
	53,993	**59,317**

	2004	2003
Other non-current assets, net:		
Doubtful accounts receivable	22,060	14,478
Accounts receivable from associated companies	283	34,294
Accounts receivable from public entities	2,677	2,237
Other receivables	2,736	3,482
	27,756	54,491
Less: Provision for doubtful accounts receivable	(22,759)	(20,835)
	4,997	**33,656**

Accounts receivable from public entities at 31 December 2004 are made up as follows:

Value added tax	17,228
Income tax	16,346
Withholding tax	1,208
Other	565
	35,346

7. Inventories

This caption consists of:

	2004			2003		
	Cost	Provisions	Net	Cost	Provisions	Net
Raw materials and consumables	108,233	(6,280)	101,953	93,245	(6,607)	86,638
Work in progress	28,820	(983)	27,837	33,418	(1,115)	32,303
Sub-products and waste	143	(15)	128	64	(15)	49
Semi-finished and finished products	12,327	(1,660)	10,667	9,674	(1,468)	8,206
Merchandise	11,013	(1,220)	9,793	9,041	(1,707)	7,334
Advances	2,733	-	2,733	797	-	797
	163,269	**(10,159)**	**153,111**	**146,239**	**(10,912)**	**135,327**

Raw materials and consumables comprise inventories held for use in the production process and spare parts.

Unpacked cement held at factories is included in work in progress.

8. Investments, net

This caption consists of:

	2004			2003
	Gross book value	Provisions	Net book value	Net book value
Affiliated companies	176,946	-	176,946	77,199
Other investments	58,718	(4,480)	54,238	60,474
Securities and other investments	9,415	(4,844)	4,571	7,320
Loans granted	968	(783)	185	212
Investments in progress	-	-	-	4,006
Advances	9,499	-	9,499	2,695
Total	**255,545**	**(10,107)**	**245,439**	**151,906**

This caption includes investments and loans to affiliated companies. The investments in affiliated companies are recorded in accordance with the equity method of accounting. Other investments are stated at cost less provisions for estimated loss on their realisation, except for public and other listed securities, which are stated at market value.

9. Fixed assets, net

This caption comprises:

	2004	2003
GROSS:		
Land and natural resources	213,307	207,272
Buildings and other constructions	1,114,453	1,088,716
Basic equipment	2,693,819	2,579,912
Transportation equipment	80,279	64,791
Tools and dies	6,914	6,901
Administrative equipment	46,498	44,861
Containers	590	132
Other	8,393	8,834
Fixed assets in progress	117,654	141,092
Advances	6,256	8,842
	4,288,162	**4,151,353**
ACCUMULATED DEPRECIATION:		
Land and natural resources	(35,209)	(32,958)
Buildings and other constructions	(812,263)	(787,789)
Basic equipment	(2,114,158)	(2,033,579)
Transportation equipment	(60,397)	(56,681)
Tools and dies	(5,876)	(5,608)
Administrative equipment	(37,417)	(35,128)
Containers	(140)	(117)
Other	(5,159)	(5,936)
	(3.070,618)	**(2.957,796)**
NET BOOK VALUE:		
Land and natural resources	178,097	174,314
Buildings and other constructions	302,190	300,927
Basic equipment	579,661	546,333
Transportation equipment	19,882	8,110
Tools and dies	1,038	1,293
Administrative equipment	9,081	9,733
Containers	451	15
Other	3,234	2,898
Fixed assets in progress	117,653	141,092
Advances	6,255	8,842
	1,217,543	**1,193,557**

Depreciation of fixed assets charged to operations during the year ended 31 December 2004 amounted to 129,054 thousand euros.

Fixed assets have been revalued in accordance with Law 36/91 and Decree Laws 126/77, 219/82, 399-G/84, 118-B/86, 111/88, 49/91, 264/92 and 22/92 using price level indices established by that legislation.

The effect of the revaluations on net book values, is as follows:

	Historical cost	Revaluation	Revalued amounts
Land and natural resources	162,027	16,070	178,097
Buildings and other constructions	258,860	43,330	302,190
Basic equipment	579,133	528	579,661
Transportation equipment	19,882	-	19,882
Tools and dies	1,038	-	1,038
Administrative equipment	9,050	31	9,081
Containers	451	-	451
Other	3,234	-	3,234
Total	**1,033,676**	**59,958**	**1,093,634**

The amount of 4,227 thousand euros of the revaluation reserve has been used to increase share capital.

10. Intangible Assets, net

This caption comprises the following:

	2004	2003
GROSS:		
Start-up costs	12,238	10,168
Research and development costs	4,734	16,999
Industrial property and other rights	12,328	8,238
Intangible assets in progress	7,040	184
Goodwill on acquisitions	1,293,589	1,250,722
	1,329,928	**1,286,311**
ACCUMULATED AMORTISATION:		
Start-up costs	(8,244)	(7,757)
Research and development costs	(3,461)	(16,676)
Industrial property and other rights	(6,334)	(4,110)
Goodwill on acquisitions	(420,718)	(365,849)
	(438,757)	**(394,392)**
NET BOOK VALUE:		
Start-up costs	3,994	2,411
Research and development costs	1,273	323
Industrial property and other rights	5,994	4,128
Intangible assets in progress	7,040	184
Goodwill on acquisitions	872,869	884,873
	891,170	**891,919**

Amortisation of intangible assets charged to operations during the year ended 31 December 2004 amounted to 69,361 thousand euros.

The movement in the caption "Goodwill" in the year ended 31 December 2004 was as follows:

Movement/subsidiaries	Goodwill
Beginning balance	**1,250,722**
INCREASES:	
Angola	
Nova Cimangola	22,271
Brazil	
Companhia Cimentos Brasil (CCB)	5,453
Portugal	
Inergranitos	3,532
Veirocir – Comércio de Cimentos	1,512
Betrans – Soc. Prod. E Distrib. De Betão Transmontano	828
Cecime – Cimentos	1,187
	7,059
Spain	
Branas de Brins	6,062
Arenor	4,415
Materiales del Atlântico	3,587
Ocidental de Hormigones	1,793
Silos Galicia	1,013
Cementos Antequera	285
	17,155
South Africa	
Concrete Mix	2,405
South Stone Crushers	397
Eedeswold	79
	2,881
DECREASES:	
Hormigones Mariña	(1,080)
Hormigones y Aridos de la Barca	(2,880)
Cementos Cosmos	(7,992)
	(11,952)
Ending balance	**1,293,589**

The movement was as follows by geographic area:

ANGOLA

On 8 November 2004 Cimpor Indústria acquired all the share capital of Scanang, the only asset of which is a 49% participation in the Angolan cement company Nova Cimangola, at a cost of 60,063 thousand euros, which resulted in goodwill of 24,435 thousand euros (22,271 thousand euros at 31 December 2004 as a result of devaluation of the functional currency of the affiliated company).

BRAZIL

The increase in goodwill relating to CCB results from: (i) goodwill arising on the acquisition of an additional participation of 0.37% in the company; (ii) acquisition of 3 ready mix concrete plants for 2,863 thousand euros, resulting in goodwill of 772.5 thousand euros; (iii) the effect of the strengthening of the Brazilian Real on goodwill recorded in the respective financial statements (relating essentially to the acquisition of Cimentos Brumado in 2002).

PORTUGAL

In May 2004 Agrepor acquired all the share capital of Inergranitos for 4,615 thousand euros, resulting in goodwill of 3,532 thousand euros.

On 26 November 2004 the companies Retonoba and 99 Ship acquired all the share capital of Veirocir for 3,000 thousand euros, resulting in goodwill of 1,512 thousand euros.

The increase of 1,187 thousand euros in goodwill relating to Cecime results from application of the equity method to the 20% participation acquired on 15 September 2003 for 974.8 thousand euros.

The increase in goodwill of 828 thousand euros relating to Betrans results from the acquisition, by Cimpor Betão, S.G.P.S., of a 50% participation in its share capital.

SPAIN

On 29 November 2004 Canteras Prebetong acquired all the share capital of Brañas de Bríns for 6,309 thousand euros, resulting in goodwill of 6,062 thousand euros.

The increase of 4,415 thousand euros in goodwill relating to Arenor results from the acquisition of 28.57% of its share capital, by Retonoba, for 10,960 thousand euros.

In October 2004 Sociedad Industrial y Financeira Gallega acquired 54.15% of the capital of Materiales del Atlântico for 4,549 thousand euros, resulting in goodwill of 3,587 thousand euros.

The increase of 1,793 thousand euros in goodwill relating to Occidental Hormigones results from the initial acquisition by Corporacíon Noroeste of the company Äridos Donoso del Rio for 889 thousand euros and subsequently of 18 ready mix concrete plants for 11,370 thousand euros.

Fivacar acquired a participation of 16% in Silos Galícia resulting in goodwill of 1,013 thousand euros.

The increase in goodwill relating to Cementos Antequera results from the acquisition of an additional 1.35% participation in that company.

SOUTH AFRICA

In July 2004 Natal Portland Cement Company acquired all the share capital of the companies Concrete Mix, South Coast Stone Crushers and Eedeswold, for 3,551 thousand euros, 1,150 thousand euros and 378 thousand euros, respectively, resulting in goodwill of 2,881 thousand euros.

Amortisation of goodwill

Goodwill resulting from the acquisition of participations in Group and associated companies is amortised over the estimated period for recovery of the investments, which varies from five to twenty years.

11. Loans

This caption consists of:

	2004		2003	
	Short-term	Long-term	Short-term	Long-term
Bank loans	150,749	413,431	329,711	837,920
Bonds	3,134	890,417	1,359	351,507
Others loans	2,403	8,925	2,531	8,384
	156,287	**1,312,772**	**333,601**	**1,197,811**

Bonds at 31 December 2004 are made up as follows:

Drawer	Issue	Interest rate	Conditions / repayment	Amount
CIMPOR Financial Operations B.V.	27 May 2004	Fixed rate EUR 4.50%	27 May 2011	600,000
CIMPOR Financial Operations B.V.	27 June 2003	Fixed rate EUR 4.75%	27 June 2013	105,153
CIMPOR Financial Operations B.V.	27 June 2003	Fixed rate EUR 4.90%	27 June 2015	180,563
Cimentos de Moçambique S.A.R.L	13 December 2004	TAM + 5.25%	(i)	7,835
				893,551

(i) 5 half yearly payments starting 13 June 2005

The short-term bank loans at 31 December 2004 are made up as follows:

Type	Currency	Interest rate	Amount
Bilateral	EUR	Euribor + 0.675%	87,500
Bilateral	USD	Libor + 1%	4,512
Bilateral	EGP	Caibor + 1.125%	3,958
Bilateral	EGP	11.7%	520
Bilateral	EUR	Euribor + 1.5%	6,250
Bilaterals	BRL	Several	3,068
Bilaterals	EUR	Several	3,496
Bilaterals	ZAR	Several	358
Others	EUR	-	6,766
Overdrafts	EGP	-	12,031
Overdrafts	MAD	-	4,216
Overdrafts	EUR	-	15,994
Overdrafts	TND	-	1,997
Overdrafts	ZAR	-	82
			150,749

The long – term bank loans at 31 December 2004 are made up as follows:

Type	Currency	Interest rate	Amount
Syndicated loan	EUR	Euribor + 0.50%	300,000
EIB Loan	EUR	EIB Basic Rate	60,000
Bilateral	EGP	Caibor + 1.125%	15,833
Bilaterals	BRL	Several	11,101
Bilateral	EUR	Euribor + 1.5%	15,625
Bilateral	EGP	11.7%	62
Bilaterals	ZAR	Several	261
Bilaterals	EUR	Several	10,549
			413,431

As a result of applying the hedge accounting provisions of IAS 39, the US Private Placements include the corresponding changes in fair value as from the time the hedge relationships were established, in the amount of 58,994 thousand euros.

At 31 December 2004, the medium and long-term portion of the loans was repayable as follows:

2006	141,963
2007	148,360
2008	80,930
2009 and following years	941,519
	1,312,772

The principal financial conditions of the loans at 31 December 2004 were as follows:

RATIN

Several financing instruments, namely the larger syndicated and bilateral loans, establish that the spread must be indexed to the Standard & Poor's rating, therefore reflecting the valuation of risk of these operations for the financial institutions.

CONTROL OF THE SUBSIDIARY COMPANIES

The majority of the contracts for loans obtained by the operating and sub-holding companies do not establish the need for CIMPOR – Cimentos de Portugal, SGPS, S.A. to have majority control of the companies. However, the comfort letters requested from the holding company, for purposes of contracting the loans, usually contain a commitment for it not to sell its direct or indirect control of these companies.

At 31 December 2004 the comfort letters provided by the holding and other subsidiary companies totalled 462,482 thousand euros.

FINANCIAL COVENANTS

The loan contracts also establish commitments for the company to maintain certain financial ratios at previously agreed levels.

The principal loans at 31 December 2004 include commitments to maintain the following financial ratios:

- Net debt / EBITDA
- EBITDA / (Financial expenses minus financial income)
- EBITDA / (Financial expenses minus income from derivative financial instruments)

At 31 December 2004 these ratios were within the commitments established.

NEGATIVE PLEDGE

The majority of the financial instruments have *Negative Pledge* clauses. The larger loans (those exceeding 50 million euros) normally establish a maximum level of pledges over assets, which must not be exceeded without prior notice to the financial institutions.

CROSS DEFAULT

Cross default clauses, which are current practice in loan contracts, are also present in the large majority of financial instruments of the CIMPOR Group.

12. Accounts payable-trade

The following amounts are payable to third parties within a period of one year:

	2004	2003
Advances for sales	-	3,343
Accounts payable to suppliers	115,932	97,004
Notes payable	27,584	29,721
Advances from customers	2,660	1,241
	146,176	**131,309**

13. Accounts payable-other

This caption consists of:

	2004	2003
Accounts payable to related companies	395	1,086
Suppliers of fixed assets	29,265	47,747
Other creditors	17,717	24,388
	47,378	**73,221**

14. Prepaid expenses and other current assets, accrued costs and deferred income

PREPAID EXPENSES AND OTHER CURRENT ASSETS:	
Derivative financial instruments	7.300
Charges on loans	4.671
Others	2.222
	14.193
ACCRUED COSTS:	
Accrued vacation pay and vacation bonus	12.052
Accrued tax expense (a)	11.286
Interest	18.316
Retirement pension benefits	661
Derivative financial instruments	147.973
Others	6.666
	196.954
DEFERRED INCOME:	
Investment subsidies	3.933
Others	248
	4.181

(a) Brazilian tax legislation includes taxes computed based on income in each period. One of the subsidiary companies in Brazil is legally questioning one of such taxes, as well as the basis on which it was assessed. The accrued expenses relate to the amount of such tax.

15. Taxes payable

This caption consists of:

Value added tax	11,795
Income tax	7,800
Withholding tax	3,900
Social security contributions	3,071
Others	3,157
	29,723

16. Movement in the provisions

During the year ended 31 December 2004 the movement in the provision account balances was as follows:

	Opening balance	Changes in subsidiaries	Exchange differences	Increases	Decreases	Transfers	Ending balance
Provision for treasury applications	2,339	-	-	-	(2,339)	-	-
Provisions for doubtful accounts receivable	60,460	80	(705)	4,899	(3,471)	(5,691)	55,571
Provisions for risks and costs	127,949	-	(691)	21,064	(9,654)	6,330	144,998
Provision for inventories	10,912	19	(166)	397	(546)	(438)	10,159
Provision for investments	9,176	-	11	1,102	-	(182)	10,107
	210,836	**99**	**(1,552)**	**27,462**	**(16,028)**	**19**	**220,835**

At 31 December 2004 the caption provisions for risks and costs was made up as follows:

Tax contingencies	98,917
Liability for pension and healthcare benefits	19,011
Provision for environmental reinstatement	5,618
Other provisions for risks and costs	21,452
	144,998

The increase in provisions was recorded as follows:

Provisions	12,079
Extraordinary items	10,605
Income tax (Note 18)	963
Payroll expenses	2,340
Provision for investments	1,062
Others	413
	27,462

17. Other non-current liabilities

This caption consists of:

	2004	2003
Suppliers of fixed assets	15,277	15,052
Other	4,484	757
	19,761	**15,809**

18. Income tax

Cimpor – Cimentos de Portugal, SGPS, S.A. and its Portuguese subsidiaries are subject to corporate income tax at the rate of 25% plus municipal surtax of 10%. Gains and losses in associated companies recorded under the equity method are not relevant for tax purposes. The same applies to dividends received from subsidiary and associated companies.

The Company and its 90% or more owned subsidiaries in Portugal are subject to the special regime for taxation of groups of companies as from 2001. This regime consists of applying, to the consolidated taxable results of the companies included in the consolidation, less dividends distributed, the corporate income tax rate plus municipal surcharge.

In accordance with current legislation the tax returns of the Company and its subsidiaries are subject to review and correction by the tax authorities during a period of four years and, for Social Security, during a period of five years (ten years up to 2001, inclusive), except where there are tax losses, tax benefits have been granted or inspections, claims or appeals are in progress, in which case the period can be extended or suspended. Consequently the tax returns of the Company and its subsidiaries for the years 2001 to 2004 are still subject to review.

As a result of a review made by the tax authorities of the corporate income tax returns for the years 1996 to 2000, additional assessments were received, which were determined in accordance with the tax consolidation regime, the most significant item being the increase in depreciation resulting from the revaluation of property, plant and equipment. The Board of Directors believes, based on technical opinions of its consultants, that the above mentioned corrections have no legal grounds and, accordingly, they have been legally contested.

In addition, as the above mentioned notifications were received after the last phase of re-privatisation of the Company, the Board of Directors believes that any payment of the above tax is the responsibility of the Government body, Fundo de Regularização da Dívida Pública, and has already requested payment of any amount found to be due.

The contingencies resulting from these situations are provided for in the caption "Provisions for risks and costs".

Timing differences between the recognition of income and expenses for accounting and for tax purposes are considered in computing the income tax charge for the year.

Reconciliation of the income tax provision at the statutory Portuguese income tax rate and the effective income tax rate, for the year ended 31 December 2004, is as follows:

	Tax base	Income tax
Income before income tax	235,916	
Permanent differences	34,833	
	201,083	
Normal charge		55,298
Tax benefits		(4,842)
Rate differences		4,623
Change of tax rate		(10,937)
Tax contingencies		963
Others		376
Charge for the period		**45,481**

Permanent differences include mainly the impact of the investment valuation criteria, amortisation of goodwill and increases in non tax deductible provisions.

The charge for the year ended 31 December 2004 is made up as follows:

Current income tax	31,884
Prior year corrections	(635)
Deferred tax for the year ended 31 December 2004	13,269
Tax contingencies	963
Income tax for the year	**45,481**

The movement in deferred taxes in the year ended 31 December 2004 is as follows:

Provision for inventories	Opening balance	Changes in group	Exchange effect	Net income	Shareholders' equity	Transfers	Closing balance
DEFERRED TAX ASSETS:							
Revaluations and adjustments to fixed assets	39,469	-	110	(1,298)	-	-	38,281
Tax losses carried forward	45,564	412	13,303	(19,748)	-	136	39,667
Provision for doubtful accounts receivable	3,012	8	(31)	(1,310)	-	1	1,679
Provisions for risks and costs	7,776	-	18	3,459	-	-	11,253
Provision for inventories	2,389	60	(29)	(588)	-	-	1,833
Other provisions	2,541	7	32	1,011	-	-	3,591
Others	4,381	-	38	(6,750)	27,798	-	25,467
	105,132	487	13,441	(25,223)	27,798	138	121,772
DEFERRED TAX LIABILITIES:							
Revaluations and adjustments to fixed assets	75,440	219	(1,686)	(12,228)	-	-	61,745
Investments	757	-	-	(757)	-	-	-
Reinvestment of capital gains	662	2	-	(217)	-	-	447
Others	5,572	-	182	1,248	390	-	7,392
	82,430	221	(1,504)	(11,954)	390	-	69,584
Net deferred tax	**22,702**	**266**	**14,944**	**(13,269)**	**27,408**	**138**	**52,188**

The deferred tax asset relating to revaluations results from fixed assets in which the tax base is greater than the corresponding book value, due to the existence of revaluations in the individual financial statements, which were eliminated for consolidation purposes.

The deferred tax liability results from fixed assets with a greater book value than the corresponding tax base, due essentially to assigning fair values to them in acquisitions.

The other deferred tax assets include, essentially, the effect of recording derivative financial instruments under hedge accounting procedures (Note 29).

Deferred taxes reverting in the medium and long term have been estimated at approximately 96,000 thousand euros in the case of deferred tax assets and 62,000 thousand euros in the case of deferred tax liabilities.

19. Minority interest

This caption consists of:

	Equity	Profit and loss
Cimentaçor Group	2,287	800
Cimpor Betão Group	18,230	751
Corporación Noroeste Group	11,047	772
Cement Trading Activities	1,026	39
Cimentos de Moçambique	14,150	(1,058)
Asment de Temara	23,473	2,769
Cimpship	1,963	(57)
Amreyah Cement Company	4,101	510
Others	39	-
	76,315	**4,525**

Minority interest reflected on the balance sheet as of 31 December 2004 and statement of profit and loss for the year then ended corresponds to third party participation in the equity and results of the above mentioned Group companies.

Where subsidiaries have negative shareholders' equity, no minority interest has been allocated.

20. Share capital and reserves

At 31 December 2004, Cimpor's fully subscribed and paid up share capital was represented by 672 million shares with a nominal value of one Euro each.

At 31 December 2004, the last known capital structure of the Company was as follows (including shares owned by related companies and their corporate board members):

	%	Number of shares
Teixeira Duarte, SGPS, S.A.	20.59	138,372,075
Grupo Credit Suisse First Boston	12.66	85,103,014
Financiére Lafarge, S.A.	12.64	84,908,825
Manuel Fino, SGPS,S.A.	11.28	75,825,000
Fundo de Pensões do Banco Comercial Português	10.00	67,200,000
Fundação Berardo, Instituição Particular de Solidariedade Social	8.77	58,947,945
HSBC Holdings plc	4.36	29,332,295
Bipadosa, S.A.	2.00	13,434,241
Others	17.70	118,876,606
	100.00	**672,000,000**

OWN SHARES

Portuguese commercial legislation requires that companies maintain free reserves in the amount corresponding to the cost of these shares, such reserves not being available for distribution while the shares are held. The applicable accounting rules establish that profits and losses on the sale of own shares be recorded in reserves.

The movement in own shares consists of the sale of 588,605 shares to employees of the Group, which resulted in a decrease of 37 thousand euros in "Other reserves". At 31 December 2004 the Company had 4,751,960 own shares.

REVALUATION RESERVE

This caption results from the revaluation of fixed assets in accordance with the applicable legislation (Note 9). In accordance with current legislation and the accounting practices followed in Portugal this reserve can only be used, when realised, to cover losses or to increase share capital.

LEGAL RESERVE

In accordance with current legislation the Company must appropriate, to the legal reserve, 5% of its annual net profit until the reserve equals a minimum of 20% of capital. This reserve cannot be distributed to the shareholders but can be used to absorb losses once all the other reserves have been used, up or to increase capital.

CUMULATIVE TRANSLATION ADJUSTMENTS

The decrease in the balance of the caption "Cumulative translation adjustments" results from the effect of exchange devaluations arising during the year ended 31 December 2004 on the translation, to euros, of the financial statements of subsidiaries operating in foreign countries (Note 3).

21. Segment reporting

The Group operates in several geographical areas. The main information at 31 December 2004 for each of these locations is as follows:

	Portugal	Spain	Brazil	South Africa	Tunisia	Morocco	Egypt	Others	Eliminations	Consolidated
REVENUE										
External sales	518,960	344,508	199,121	87,514	53,599	54,547	60,103	47,260	-	1,365,612
Inter segment sales	58,620	6,415	-	-	-	-	6,702	4,858	(76,595)	-
Total revenue	577,580	350,923	199,121	87,514	53,599	54,547	66,805	52,118	(76,595)	1,365,612
External operating results	55,467	106,185	25,036	29,764	6,635	18,841	(733)	6,983	-	248,176
Inter segment operating results	48,455	(48,010)	(1,044)	875	(2,036)	(1,845)	5,036	(1,432)	-	-
Total operating results	103,922	58,175	23,992	30,639	4,599	16,996	4,303	5,551	-	248,176
External financial results	(3,318)	(7,376)	9,650	144	(567)	241	(6,645)	(36,966)	-	(44,837)
Inter segment financial results	(549)	(32,644)	(1,150)	(367)	-	-	-	34,710	-	-
Total financial results	(3,867)	(40,020)	8,500	(223)	(567)	241	(6,645)	(2,256)	-	(44,837)
Share of associates' net income	37,680	47	-	-	-	-	-	623	-	38,351
Income tax	(30,921)	1,362	(4,501)	(10,495)	(210)	(12,470)	12,108	(354)	-	(45,481)
Income – Ordinary activities	106,814	19,565	27,991	19,922	3,821	4,767	9,766	3,564	-	196,210
Extraordinary items	(418)	690	(284)	14	1,355	1,813	(7,634)	(1,313)	-	(5,776)
Inter segment extraordinary items	-	-	-	-	-	-	-	-	-	-
Total extraordinary items	(418)	690	(284)	14	1,355	1,813	(7,634)	(1,313)	-	(5,776)
Minority interest	1,535	770	-	-	-	2,769	510	(1,058)	-	4,525
Net Income	104,862	19,484	27,707	19,936	5,176	3,812	1,622	3,309	-	185,909
OTHER INFORMATION:										
Segment assets	773,126	653,800	834,110	146,097	176,321	95,890	364,063	131,073	-	3,174,481
Inter segment assets	12,923	316,428	-	1,137	-	-	818	979,638	(1,310,945)	-
Investments in associates (Equity)	168,206	8,740	-	-	-	-	-	-	-	176,946
Segment liabilities	277,228	612,674	67,065	23,887	33,207	29,635	100,824	983,293	-	2,127,814
Inter segment liabilities	(1,270)	(968,620)	(20,812)	(39)	(998)	(554)	(314,447)	(4,206)	1,310,945	-
Fixed capital expenditure	88,702	79,542	16,308	11,209	8,588	19,159	10,642	26,528	-	260,679
Amortisation and depreciation	54,937	32,288	54,538	8,894	10,050	7,604	25,189	4,914	-	198,414
Other non-cash expenses	12,592	2,687	1,825	334	117	143	8,064	1,1699	-	27,462

These segments are consistent with the way management currently analyses its business.

Following is a break-down of the main information as of 31 December 2004, by business segment:

Business segment	Sales	Total assets	Fixed capital expenditure
Cement	990,544	2,452,787	193,975
Ready-mix and pre-cast concrete	336,474	307,420	39,148
Others	38,594	414,275	27,556
	1,365,612	**3,174,481**	**260,679**

22. Payroll expenses

This caption consists of:

	2004	2003
Salaries	109,680	107,585
Social charges:		
Pensions	6,823	2,740
Other	38,673	42,640
	155,176	**152,965**

The average number of employees of the companies included in the consolidation (Note 2) at 31 December 2004 and 2003 was as follows:

	2004	2003
Holding company– Central services	89	130
Portugal		
Cement activity	769	833
Ready-mix concrete	408	479
Other activities	513	472
International	3,863	4,059
	5,641	**5,973**

23. Financial expenses, net

This caption consists of:

	2004	2003
INCOME:		
Interest income	38,246	31,912
Foreign exchange gain	47,517	16,726
Gain on the sale of treasury applications	434	523
Gain in associated companies	38,511	8,257
Gain in participations	2,110	3,045
Other financial income	5,221	22,994
	132,039	83,457
EXPENSES:		
Interest expense	76,035	61,070
Foreign exchange loss	49,298	35,866
Financial discount allowed	4,499	4,614
Provisions for investments	1,062	-
Other financial expenses	7,631	17,422
	138,525	118,972
Net financial expenses	**(6,486)**	**(35,515)**

The recording of financial derivatives and adjustment, where applicable, of investments and financing to fair value (Notes 11 and 29), had the following impact on net financial expenses for the year ended 31 December 2004:

Interest expense	8,231
Foreign exchange loss	36,961
	45,192
Interest income	(16,859)
Foreign exchange gain	(36,631)
	(53,491)
Net effect (Note 29)	**(8,299)**

24. Extraordinary items, net

This caption consists of:

	2004	**2003**
EXTRAORDINARY INCOME:		
Decrease in amortisation and provisions	8,141	16,985
Capital gains	3,865	5,290
Other extraordinary income	2,572	17,088
	14,578	39,363
EXTRAORDINARY EXPENSES:		
Increase in amortisation and provisions	10,605	12,506
Corrections relating to prior years	557	567
Capital losses	781	1,119
Uncollectible debts	536	1,682
Other extraordinary expenses	7,874	11,182
	20,353	27,056
Net extraordinary items	**(5,775)**	**12,307**

The decrease in amortisation and provisions includes the effect of utilisation of and decrease in several provisions recorded in preceding years to cover liabilities for restructuring costs, doubtful accounts receivable and other contingencies.

25. Guarantees

At 31 December 2004 the Group companies had bank and other guarantees given to third parties totalling approximately 139,507 thousand euros, of which 61,953 thousand euros relates to guarantees given to the tax authorities in relation to the matters referred to in Note 18.

26. Commitments

Some of the Group companies have financial commitments under contracts to acquire tangible fixed assets and inventories, of which 35,692 thousand euros for the Portuguese business area, 3,172 thousand euros for the Egyptian business area and 5,449 thousand euros for the Moroccan business area.

All the financial commitments, including discounted bills, are reflected in the appropriate captions.

In accordance with the Portuguese Commercial Company Code, the parent company Cimpor – Cimentos de Portugal, SGPS, S.A. is jointly liable for the obligations of its fully controlled subsidiary companies.

Cimpor Indústria – Pension Fund

Cimpor Indústria has two pension plans for its employees, depending on the year they were hired, as follows:

- Employees hired prior to 31 December 1998 are covered by a defined benefits non contributory plan (unless they opted, up to 31 December 2002, for the other plan);
- Employees hired after 1 January 1999 are covered by a defined contribution plan with the possibility of the participants contributing.

The liability resulting from the above mentioned benefit plans was transferred to the CIMPOR Pension Fund, which is managed by a specialised independent entity, the amount of the liability being determined half yearly based on actuarial studies made by independent experts (the most recent study available is as of 31 December 2004).

The Projected Unit Credit method and the following technical and actuarial bases were used in the actuarial studies made as of 31 December 2004:

Technical actuarial rate	4.50%
Pension growth rate	2.25%
Return on plan assets	5.50%
Salary growth rate	2.50%

In addition, the following demographic assumptions were used as of 31 December 2004:

Mortality table	TV 73/77
Disability table	EKV80

In accordance with the actuarial studies the pension costs for the year ended 31 December 2004 and 2003 were as follows:

	2004	2003
Current service costs	612	610
Interest costs on liabilities	3,280	3,804
Actual return on fund's assets	(3,369)	(5,577)
Past service actuarial gains and losses	1,982	(10,464)
	2,505	**(11,627)**

The past service actuarial gains and losses for the year ended 31 December 2003 includes an actuarial revaluation of the pension liability for employees retired up to 31 December 2002.

As mentioned earlier, the liability for payment of the above mentioned social benefits was transferred to an autonomous pension fund to which the Company (and indirectly the associated companies with employees covered) makes regular cash contributions. At 31 December 2004 and 2003 the difference between the present value of the past service liability and market value of the fund's assets was as follows:

	2004	2003
Retired employees:		
Present value of pensions under payment	51,069	49,973
Current employees:		
Present value of past service liability	15,811	15,876
	66,880	65,849
Market value of the fund's assets	(66,220)	(64,005)
Unfunded liability	**660**	**1,844**

The unfunded liability of 660 thousand euros at 31 December 2004 is reflected in a specific "Accrued expenses" caption (Note 14).

In the year ended 31 December 2004 costs of 702 thousand euros relating to the defined contribution plan liability were recorded.

Cimpor Indústria – Medical benefits (Healthcare services)

Cimpor Indústria has a healthcare plan for its employees to supplement the Social Security official healthcare services, under which it participates, under the Supplementary Benefits regulations in force since 1 October 1995, in the healthcare costs of the employees covered by the plan (current, early retired and retired employees and their families). Under the regulations this is considered as a defined benefits plan, and there is no fund to cover the liability.

In the year ended 31 December 2004 an actuarial study was made, using the existing statistical data, to determine the amount of the liability.

The study was made using the following assumptions and technical bases:

Mortality table	TV 73/77
Interest rate	5.00%
Discount rate	5.00%
Nominal rate of increase in healthcare costs	5.00%
Normal retirement age	65 years
Average family:	
Employees	2
Non employees	2
Cost per capita	336 euros

At 31 December 2004 there was a provision of 13,580 thousand euros in the caption "Provisions for other risks and costs" (Note 16), made up as follows:

- Present value of the past service liability of retired personnel, in the amount of 7,622 thousand euros;
- Present value of the past service liability of current personnel, in the amount of 5,958 thousand euros;

The cost of services rendered in the years ended 31 December 2004 and 2003 relates to the following:

	2004	2003
Current service cost	256	254
Interest cost	550	537
Actuarial gains and losses	2,018	55
	2,823	846
Benefits paid during the year	(483)	(421)
	2,340	**425**

Liability for supplementary pensions and other benefits of other companies

Other Group companies have retirement benefits, relating to pension supplements and supplementary healthcare benefits. The liability under these plans is determined annually based on actuarial studies made by independent entities, the costs computed in these studies being recorded in the period.

The overall situation of these plans at 31 December 2004 was as follows:

Present value of the projected liability	12,103
Unfunded liability	5,431
Net cost for the period	1,276

The unfunded liability is recorded in the caption "Provision for other risks and costs".

27. Stock option plan

The Shareholders' General Meeting held on 14 May 2004 approved an *Employee Stock Acquisition Plan* and a *Stock Option Plan*.

In order to implement the above mentioned *Employee Stock Acquisition Plan*, the Shareholders' General Meeting held on 14 May 2004 approved the sale of own shares to members of the Boards of Directors and employees of the Group.

The Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, S.A., is responsible for assigning the rights to acquire shares to the beneficiaries of the Plan, except in the case of the Members of the Board of Directors itself, where the rights are assigned by the Remuneration Committee.

Each beneficiary is granted the right to acquire shares at a price equal to seventy-five percent of the closing price of the day, up to a maximum of half of his/her monthly gross base remuneration.

The Shareholders' Annual General Meeting also approved the sale of own shares to implement the *Stock Option Plan*. In accordance with this plan, under which the rights are assigned by the same entities as for the *Employee Stock Acquisition Plan*, the beneficiaries are given the right to acquire Cimpor shares (initial option), at a price not less than seventy-five percent of the average closing price of the sixty stock market sessions preceding that date. For every option exercised, the beneficiary is given one additional option, at the same price (derived option), in each of the next three years.

The options exercised during the year ended 31 December 2004 were as follows:

Plan	Number of shares	Unit price	Date
Stock Option Plan - derived options - 2002 series	6,200	3,70	31 March
Stock Option Plan - derived options - 2003 series	182,650	2,84	25 March
Stock Option Plan - 2004 series	266,000	3,20	28 May
Employee Stock Acquisition Plan - year 2004	133,755	3,28	17 May
	588,605		

At 31 December 2004 the Company had enough own shares to meet the requirements of the above mentioned incentive plans.

28. Financial instruments

Under the risk management policy of the Cimpor Group, several derivative financial instruments have been contracted to hedge interest and exchange rate risk.

The Group contracts such instruments after evaluating the risks to which its assets and liabilities are exposed and assessing which instruments available in the market are the most appropriate to hedge the risks.

These instruments are subject to prior approval by the Executive Committee and are permanently monitored by the Financial Operations Area. Several indicators relating to the instruments are periodically determined, namely market value and sensitivity of both the projected cash flows and market value to changes in key variables, with the aim of assessing their financial effect.

As a result of adopting IAS 39, derivative financial instruments are recorded at their fair value considering, for this purpose, mathematical models, such as option pricing models and discounted cash flow models for unlisted instruments (over-the-counter instruments). These models are based essentially on market information.

The financial derivative instruments most used by the Group are exchange rate forwards and options, interest rate swaps and options and exchange rate and interest rate swaps.

These are classified as hedging instruments or held trading instruments, based on the above mentioned standard (Note 29).

Hedge accounting is applicable to financial derivative instruments that are effective in what concerns the elimination of variations in the fair value or cash flows of the underlying assets/liabilities. The effectiveness of such operations is verified quarterly. Hedge accounting covers three types of operations:

- Fair value hedging
- Cash flow hedging
- Net investment hedging in foreign entities

Fair value hedging consists in financial derivative instruments that hedge exchange rate and/or interest rate risk. Changes in the fair value of such instruments are reflected in the statement of profit and loss. The underlying asset/liability is also valued at fair value as regards the part corresponding to the risk that is being hedged, the respective changes being reflected in the statement of profit and loss.

Cash flow hedging consists in financial derivative instruments that hedge the exchange rate risk on future purchases and sales of certain assets as well as cash flows subject to interest rate risk. The effective part of the changes in fair value of the cash flow hedging instruments is recognised in shareholders' equity, while the non effective part is reflected immediately in the statement of profit and loss.

Hedging of net investment in foreign entities consists in exchange rate financial derivative instruments that hedge the effect on shareholders' equity of the translation risk of the financial statements of foreign entities. Changes in the fair value of these hedging operations are recorded in the shareholders' equity caption "Cumulative translation adjustments" until the hedged investment is sold or dissoluted.

Instruments held for trading are financial derivative instruments contracted in accordance with the Group's risk management policy but where hedge accounting is not applicable, because they were not formally designated for that purpose or because they are not effective hedging instruments in accordance with the requirements of IAS 39.

Derivative financial instruments

Derivative financial instruments at 31 December 2004 were as follows:

	Fair value	Notional value
Fair value hedges		
Exchange rate and interest swaps	(83,313)	296,601
Cash flow hedges		
Interest rate swaps	(1,622)	50,000
Investment hedges		
Exchange forwards	(8,172)	36,036
Trading		
Exchange rate derivatives	7,300	20,000
Interest rate derivatives	(54,867)	516,724
Total	**(140,673)**	**919,360**

Some derivatives, although contracted in accordance with the Group's risk management policy in what concerns the management of the volatility of the financial markets, do not qualify for hedge accounting, and so are classified as held for trading instruments.

The operations contracted, which can qualify as interest rate and exchange rate hedging instruments, are as follows:

Type of hedge	Nocional	Type of Operation	Maturity	Financial objective	MtM
Fair value	USD 150,000,000	Cross-Currency Swap	Jun-13	Hedges 100% of the principal and interest relating to the 10Y tranche of the US Private Placement	(25,053)
Fair value	USD 254,000,000	Cross-Currency Swap	Jun-15	Hedges 100% of the principal and interest relating to the 12Y tranche of the US Private Placement	(58,260)
Cash flow	EUR 50,000,000	Fixed rate	Jun-08	Hedges 17% of the 2003-2008 Syndicated Loan	(1,622)
Net investment	EUR 36,036,036	NDF	Dec-04	Hedges 26% of the shareholders' equity of CCB	(8,172)
					(93,107)

In addition, the portfolio of derivative financial instruments considered as trading instruments was made up as follows:

Nocional	Type of Operation	Maturity	Financial objective	MtM
EUR 20,000,000	Cross-Currency Swap	Jun-05	Hedge 100% of principal and interest relating to the 5th FRN granted by Cimpor Finance Limited	7,300
EUR 150,000,000	Contingent floating rate	Dec-09	Hedge 53% of the EUR Tranche of the 2000-2005 Syndicated Loan and subsequently allocated to a decrease in the exposure to the floating rate of the overall loan portfolio of the Group	
EUR 10,.000,000	Fixed rate	Dec-09		
EUR 250,000,000	Short Floor on 10Y USD CMS	Dec-09		(27,099)
EUR 50,000,000	Fixed rate with option to floating rate	Dec-09	Hedge 17% of the 2003-2008 ABN/BNP Paribas Syndicated Loan	(3,392)
EUR 216,723,549	Contingent floating rate	Jun-15	Hedge 100% of the floating part of the cross-currency swap to hedge the 12Y tranche of the US Private Placement	
EUR 216,723,549	Short Floor on 12M USD Libor	Jun-15		
EUR 216,723,549	Long Cap with Knock-out on 6M Euribor	Jun-15		(24,376)
				(47,566)

29. Non compliance with the principle of consistency in the consolidation

In its risk management policy the Company has contracted several financial instruments, which have been disclosed in the Directors' Report and Notes to the financial statements of preceding years.

Up to 31 December 2003, as there were no specific accounting standards for derivative financial operations in Portugal, the Company only recorded the effect of derivative financial instruments in its consolidated financial statements when financial flows took place, deferring, where applicable, the premiums received or paid over the period of the operations. In addition, the Company disclosed the fair value of such instruments in the Notes to the consolidated financial statements.

Considering the approaching date for transition to International Financial Reporting Standards (IFRS) and the requirements of Portuguese Accounting Directive 18, the Board of Directors decided to adopt, as from 1 January 2004, the provisions of IAS 39 as regards the recognition and measurement of its derivative financial instruments, as it considered that, although this was not consistent with the accounting principle previously adopted, the change would result in a more adequate presentation of the Group's financial position and results of operations and would be an approximation to International Financial Reporting Standards.

As regards the valuation of equity investments in participated companies over which the Group does not have control or significant influence, as well as the valuation of investments in negotiable securities, in both cases in securities listed on stock exchanges, the Company already used the procedures established in IAS 39, to value these investments at market value.

The adoption of the provisions of IAS 39 to record investments, derivative financial instruments and hedging operations had the following impact on the consolidated financial statements for the year ended 31 December 2004:

	Results	Other reserves	Retained earnings
Investments [(a)]	1,535	(1,535)	-
Financial instruments [(b)]	(19,104)	(1,604)	(107,976)
Loans (Note 11)	27,402	-	31,592
Deferred tax (Note 18)	(2,612)	562	26,846
	7,222	**(2,578)**	**(49,539)**

(a) The effect of the devaluation during the period of the investment in Lemona, which is considered as available for sale, was recorded in "Other reserves"
(b) As explained in greater detail in Note 28, the Cimpor Group has the policy of contracting derivative financial instruments to hedge interest rate and exchange rate risk. On 1 January 2004 Cimpor did not comply with all the conditions required by IAS 39 to enable some derivative financial instruments to be considered as hedging instruments and so they were considered as trading instruments (Note 28).

The changes in fair value of the trading financial instruments up to 31 December 2003 were recorded in retained earnings, while the subsequent variations were recognised in the statement of profit and loss for the period.

30. Information on environmental issues

ENVIRONMENTAL POLICY

The Cimpor Group has employed policies to meet the cement sector's characteristic environmental impacts, especially at factories and quarries. These measures are applied to prevent, reduce or repair environmental damage arising from the Group's activities and to comply with the increasing legal requirements. The essential issues regarding the application of these policies are detailed in Consolidated Directors' Report.

ENVIRONMENTAL EXPENDITURE

The following types of environmental expenditure were incurred by the Group companies in the year ended 31 December 2004, some of which were expensed and some capitalised:

	Expensed	Capitalised
Atmospheric emissions	6,302	9,124
Waste water management	632	1,210
Waste management	2,162	238
Soil and subterranean water protection	40	518
Noise and vibration	254	1,218
Nature protection	815	421
Others	20	814
Total	**10,225**	**13,542**

The aforementioned costs charged directly to expenses do not include personnel costs incurred in the various environmental protection actions or depreciation for the year of the environmental expenditure capitalised in year ended 31 December 2004 and previous years.

GRANTS RECEIVED

In previous years the Group received non-repayable grants of 5,339 thousand euros to subsidise investments in industrial equipment to improve environmental performance, of which the most significant was the installation of bag filters. These subsidies are recorded as deferred income and amortised to the statement of profit and loss over the period the corresponding subsidised fixed assets are depreciated. At 31 December 2004 such deferred income, to be amortised in future years, amounted to 1,341 thousand euros.

ENVIRONMENTAL LIABILITIES

The Group's most significant environmental liability relates to recovery of the landscape of its quarries. As explained in Note 3, provisions have been recorded to cover the estimated cost of environmental recovery and restoration of the areas in operation. These provisions are recorded during the operating period, based on technical studies made to determine the cost of such recovery.

At 31 December 2004 the estimated cost to recover the landscape in the Portuguese, Spanish, Moroccan, Brazilian, Mozambican and South African business areas totalled 32,199 thousand euros, for which provisions of 5,622 thousand euros were recorded, considering the areas under operation and the estimated operating periods.

These provisions underwent the following changes during the year ended 31 December 2004 (Note 16):

	Opening balance	Exchange Effect	Increases	Decreases	Closing balance
Environmental reinstatement	3,816	25	2,292	(515)	5,618

In other business areas the Group has been progressively restoring quarry areas no longer in operation. The respective costs are recorded during the restoration period, and the Company estimates – considering the areas in operation, the estimated operating periods and the restoration already carried out – that no significant additional expenses will be incurred.

31. Subsequent events

The more significant events that occurred after 31 December 2004 are described in the Directors' Report.

32. Note added for translation

The accompanying financial statements are translated and reformatted from the Portuguese original financial statements prepared in accordance with generally accepted accounting principles in Portugal and the disclosures required by the Portuguese Official Chart of Accounts, some of which may not conform with or be required by generally accepted accounting principles in other countries. In the event of discrepancies the Portuguese language version prevails.

CONSOLIDATED ANNUAL REPORT

Report and Opinion by the Audit Committee

Statutory Auditor's Report and Auditor's Report

CIMPOR

Report and Opinion by the Audit Committee

On Consolidated Statement for 2004

(Translation of a report originally issued in Portuguese – Note 32)

Dear Shareholders,

In compliance with the applicable legislation and with the articles of association of CIMPOR – Cimentos de Portugal, SGPS, S.A. ("Company") and the mandate under which we were appointed, the Audit Committee hereby submits its report and opinion on the consolidated financial statements for 2004 as submitted by the Board of Directors for appraisal.

1. Activity of the Audit Committee

The Audit Committee monitored the activity and business carried out by the Company and by its main subsidiaries, especially through an appraisal of the documents, accounting records and minutes of the meetings of the Board of Directors and of the Executive Committee, and through consultation and analysis of other documentation, with a view to assessing compliance with the provisions of the law and of the articles of association. The Audit Committee also carried out tests and other procedures in such depth as it deemed necessary under the circumstances.

Within the scope of its activities, the Audit Committee kept in regular contact with the Executive Committee of the Board of Directors and with the Company's various services, having obtained such information and clarification as were deemed necessary.

In accordance with the statutory provisions, the Audit Committee held monthly meetings and other periodic meetings when circumstances warranted such, independently of the work carried out by each of its members to analyse the documentation provided and to monitor the financial situation, with particular emphasis on the evolution of the operations per geographic market and per business area.

We found that the consolidated perimeter and/or the exclusions were determined in compliance with the requirements of Decree-Law 238/91 of July 2, and that in essential aspects the rules governing the consolidation of accounts set out in the said decree-law were appropriately applied.

With regard to the companies included in the consolidation perimeter located in Portugal, we appraised the respective reports and opinions issued by their supervisory boards in compliance with the legal and statutory provisions applicable to them. With regard to companies headquartered abroad, we appraised their auditor reports regarding the manner in which the respective audits were performed and the respective conclusions.

2. Consolidated Annual Report

The Annual Report, for which the Board of Directors is responsible, addresses in detail the more relevant events of 2004 and the main events subsequent thereto relevant to an understanding of the current situation of the Company and its subsidiaries ("Cimpor Group") in keeping with the requirements of the Companies Code.

The Group focuses on the production and sale of cement that is carried out in eight countries. Despite unfavourable conditions in some of these countries, the Group's 2004 net income was the same as in the previous year, although with a slightly lower operating activity.

An analysis of the various geographic segments reveals that the Portugal and Brazil business areas saw their relative weight within the Group decrease. On the contrary, the Spanish and South Africa business areas increased their contribution substantially.

The Annual Report reveals that some economic and financial indicators deteriorated, especially operating return, operating cash flow, operating income and return on equity. Despite the substantial investments, the debt level remained very similar to that in the previous year.

Although the Group's stock market capitalisation was positive in 2004, contrary to the previous year, it did not perform as well as the reference securities in the Portuguese stock market.

As for prospects for 2005, the Board of Directors expects distinct performance levels in the various geographic markets. It has forecast moderate or similar growth as in 2004 in Portugal, Spain and Brazil, and foresees significant growth rates in the other countries.

We also highlight the Company's improved structure and its growing rationalisation, along with its clear adoption of a sustainable development policy.

3. Consolidated Financial Statements

Within the scope of its duties, the Audit Committee reviewed the consolidated financial statements, which include the consolidated balance sheet as at December 31, 2004, the consolidated statements of income by nature and by function of expense, the consolidated cash-flow statement and the respective notes drawn up by the Board of Directors. In this review, we noted that the accounting principles used in their preparation were in keeping with those generally used in Portugal and that the legal and statutory requirements had been met.

4. Conclusions

The Audit Committee took cognisance of the report issued by the Official Auditor under the terms of Article 451 and 452 of the Companies Code and of the Legal Certification of the Accounts and Audit Report of the Consolidated Accounts issued by the said Auditor, with which it is in agreement.

In carrying out our duties, we found nothing that infringed legal or statutory requirements or that materially affected the true and fair image of the financial situation, of the results and of the cash flows of the companies included in the consolidation.

The Audit Committee also expresses its gratitude for their cooperation to the Board of Directors, its Executive Committee in particular, and to the senior staff and other employees of the Company with whom it contacted.

In view of the aforementioned, the Audit Committee is of the following opinion:

The Consolidated Annual Report, the Consolidated Balance Sheet, the Consolidated Statements of Income by nature and by function of expense, the Consolidated Cash-flow Statement and the corresponding Notes to the Accounts for 2004 are in accordance with applicable accounting, legal and statutory provisions and are in a position to be approved at the Annual Shareholders' General Meeting.

Lisbon, 8 April 2005

Ricardo José Minotti da Cruz Filipe
Chairman

Deloitte & Associados, SROC S.A.
Represented by Carlos Pereira Freire
Member

José da Conceição da Silva Gaspar
Member

Statutory Auditor's Report and Auditor's Report

Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 32)

Introduction

1.

In compliance with the applicable legislation we hereby present our Legal Certification of Accounts and Auditors' Report on the consolidated financial information contained in the Directors' Report and the accompanying consolidated financial statements of Cimpor – Cimentos de Portugal, SGPS, S.A. ("the Company") for the year ended 31 December 2004, which comprise the consolidated balance sheet as of 31 December 2004, which reflects a total of 3,174,481 thousand Euros and shareholders' equity of 970,352 thousand Euros, including a net profit of 185,909 thousand Euros, the consolidated statements of profit and loss by nature and by functions and the consolidated statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2.

The Company's Board of Directors is responsible for: (i) the preparation of consolidated financial statements which present a true and fair view of the financial position of the Company and its subsidiaries, the results of their operations and their cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria, as well as the maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations, financial position or results of operations of the companies included in the consolidation.

3.

Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verification that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4.

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. Our examination included verifying, on a test 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. Our examination also included: verification of the consolidation procedures; verification of the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined; assessment of the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances; verification of the applicability of the going concern concept; verification of the adequacy of the overall presentation of the consolidated financial statements and; assessment that, in all material respects, the financial information is complete, true, up-to-date, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated accounting documents. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5.

In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Cimpor – Cimentos de Portugal, SGPS, S.A. as of 31 December 2004 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal which, except for the change explained in paragraph 6 below, were applied on a basis consistent with that of the preceding year and the information included therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

Emphasis

6.

As explained in Note 11 to the consolidated financial statements as of 31 December 2004, the Company adopted, as from 1 January 2004, the provisions of International Accounting Standard 39 as regards the recognition and measurement of derivative financial instruments contracted and the recording of hedging operations. As a result of adopting that standard, retained earnings and other reserves decreased by 49,539 thousand Euros and 2,578 thousand Euros, respectively, resulting from the effect relating to prior years of measuring the derivative financial instruments contracted, and the result for the year ended 31 December 2004 was increased by 7,222 thousand Euros.

Lisbon, 8 April 2005

Deloitte & Associados, SROC S.A.

Represented by Carlos Pereira Freire

4 CONSOLIDATED ANNUAL REPORT

Additional Information

CIMPOR

Main Operating Companies – Synopsis

Portugal

Cimpor – Indústria de Cimentos, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel.: 21 311 81 00
Fax: 21 356 13 81
Tax number: 500 782 946

Board of Directors

Jorge Manuel Tavares Salavessa Moura – *Chairman*
Luís Filipe Sequeira Martins
José Augusto Brás Chaves
José Leonel da Silva Neto
Ernesto Loureiro Campos

Contact

José Leonel da Silva Neto – *Director*
E-mail – Sneto@cimpor.pt

Field of Activity

Production, distribution and sale of cement and other hydraulic binders and their derivatives and related activities, particularly the manufacture, distribution and sale of hydraulic lime, paper bags, aggregates and concrete, cement products and other construction materials and also research and rendering of services.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	-27,616	16,589
Financial Debt (net)	60,991	56,741
Shareholder's Equity	107,234	127,053
Turnover	367,192	376,562
Operating Cash Flow	139,794	166,816
Operating Income	108,501	127,635
Financial Income	-5,158	-3,383
Extraordinary Income	-728	14,031
Net Income	70,481	80,269

Cimentaçor – Cimentos dos Açores Lda.

Registered Office

Canada das Murtas
Pico da Pedra
RIBEIRA GRANDE
Tel.: 29 620 17 30
Fax: 29 620 17 48
Tax number: 512 017 360

Management

José Leonel da Silva Neto
José Manuel Henriques Guerreiro Nunes
José Esteves de Melo Campos

Contact

José Leonel da Silva Neto – *Manager*
E-mail – Sneto@cimpor.pt

Field of Activity

Receipt of cement, clinker and gypsum, and the milling, storing, bagging and distribution of cement in the Autonomous Region of the Azores.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	4,824	6,401
Financial Debt (net)	-3,419	-1,968
Shareholder's Equity	8,660	9,031
Turnover	27,691	28,227
Operating Cash Flow	4,956	4,207
Operating Income	4,016	3,280
Financial Income	4	-26
Extraordinary Income	-176	730
Net Income	3,160	2,985

Cimpor Betão – Indústria de Betão Pronto, S.A.

Registered Office

Av. Almirante Gago Coutinho
Portela de Sintra
2710-418 SINTRA
Tel.: 21 910 55 40
Fax: 21 924 38 56
Tax number: 503 095 850

Board of Directors

José Augusto Brás Chaves – *Chairman*
Jorge Manuel Afonso Esteves dos Reis
Pedro Manuel de Freitas Pires Marques

Contact

Joaquim Lino – *General Director*
E-mail – Jlino@cimpor.pt

Field of Activity

Production and sale of ready-mix concrete.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	25,044	25,340
Financial Debt (net)	-272	-458
Shareholder's Equity	25,117	27,519
Turnover	74,868	77,722
Operating Cash Flow	3,910	7,606
Operating Income	1,605	4,307
Financial Income	282	279
Extraordinary Income	818	1,683
Net Income	2,069	4,383

Betão Liz, S.A.

Registered Office

Rua Quinta do Paizinho
Edifício Bepor
Bloco 2 –1º Esq.
2795-632 CARNAXIDE
Tel.: 21 424 75 00
Fax: 21 424 75 99
Tax number: 500 045 267

Board of Directors

Luís Filipe Sequeira Martins – *Chairman*
José Augusto Brás Chaves – *Vice-Chairman*
Joaquim Dias Cardoso
Michael Gerard O´Sullivan
Jorge Manuel Afonso Esteves dos Reis

Contact

Pedro Miguel Ferreira de Sales – *General Director*
E-mail – PSales@cimpor.pt

Field of Activity

Production and sale of ready-mix concrete.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	21,334	22,951
Financial Debt (net)	-5,542	1,006
Shareholder's Equity	37,787	39,977
Turnover	70,657	78,445
Operating Cash Flow	3,822	7,265
Operating Income	1,691	4,831
Financial Income	506	285
Extraordinary Income	10	554
Net Income	1,719	3,887

Portugal

Jomatel – Empresa de Materiais de Construção, S.A.

Registered Office

Tapada da Quinta de Cima
Estrada de Albarraque
Linhó
2710-297 SINTRA
Tel.: 21 923 90 00
Fax: 21 923 90 29
Tax number: 500 153 469

Board of Directors

José Augusto Brás Chaves – *Chairman*
João Fernando Simões Mouro
Armindo Oliveira das Neves
Jorge Manuel Afonso Esteves dos Reis
Pedro Manuel de Freitas Pires Marques

Contact

João Fernando Simões Mouro – *Director*
E-mail – Jmouro@cimpor.pt

Field of Activity

Production and sale of ready-mix concrete.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	7,875	8,491
Financial Debt (net)	-1,349	-215
Shareholder's Equity	8,901	8,056
Turnover	20,601	21,840
Operating Cash Flow	1,338	1,677
Operating Income	562	137
Financial Income	120	117
Extraordinary Income	651	460
Net Income	1,095	505

Agrepor Agregados – Extracção de Inertes, S.A.

Registered Office

Sangardão, Furadouro
Apartado 11
3151-999 CONDEIXA-A-NOVA
Tel.: 23 994 96 20
Fax: 23 994 10 09
Tax number: 501 755 098

Board of Directors

José Augusto Brás Chaves – *Chairman*
Pedro Manuel de Freitas Pires Marques
Jorge Manuel Afonso Esteves dos Reis

Contact

Pedro Manuel de Freitas Pires Marques – *Director*
E-mail – Pmmarques@cimpor.pt

Field of Activity

Operation of quarries, extraction and sale of crushed stone.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	15,210	16,867
Financial Debt (net)	1,188	7,521
Shareholder's Equity	11,837	11,926
Turnover	26,167	26,824
Operating Cash Flow	5,859	6,532
Operating Income	2,926	3,324
Financial Income	-155	-99
Extraordinary Income	72	580
Net Income	1,911	2,559

Ciarga – Argamassas Secas, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel.: 21 311 81 00
Fax: 21 356 13 81
Tax number: 503 418 706

Board of Directors

José Augusto Brás Chaves – *Chairman*
José António Sócrates da Costa Mota Martins
Pedro Manuel de Freitas Pires Marques
José Manuel Henriques Guerreiro Nunes
Angel Longarela Peña

Contact

Pedro Manuel de Freitas Pires Marques – *Director*
E-mail – Pmmarques@cimpor.pt

Field of Activity

Production, distribution and sale of dry mortar and distribution of equipment to use and apply the respective products.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	8,233	9,510
Financial Debt (net)	1,404	1,741
Shareholder's Equity	5,981	2,122
Turnover	7,331	5,891
Operating Cash Flow	1,450	903
Operating Income	-246	-1,326
Financial Income	-117	-338
Extraordinary Income	180	48
Net Income	-141	-1,151

Sacopor – Sociedade de Embalagens e Sacos de Papel, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel.: 21 311 81 00
Fax: 21 356 13 81
Tax number: 502 642 459

Board of Directors

Jorge Manuel Tavares Salavessa Moura – *Chairman*
José Leonel da Silva Neto
José Augusto Brás Chaves

Contact

José Carlos Costa Azevedo – *General Director*
E-mail – Cazevedo@cimpor.pt

Field of Activity

Production and sale of bags and other paper packages.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	3,063	3,422
Financial Debt (net)	-366	-253
Shareholder's Equity	4,661	3,705
Turnover	13,591	14,228
Operating Cash Flow	4,205	3,305
Operating Income	4,049	2,975
Financial Income	3	-1
Extraordinary Income	16	17
Net Income	2,951	1,998

Portugal

Transviária – Gestão de Transportes, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel.: 21 940 86 00
Fax: 21 940 87 33
Tax number: 502 868 791

Board of Directors

José Leonel da Silva Neto – *Chairman*
José Augusto Brás Chaves
José António Sócrates da Costa Mota Martins

Contact

Ana Cristina de Sousa dos Santos Ascenso – *General Director*
E-mail – AAscenso@cimpor.pt

Field of Activity

Transport of goods, rental of transport vehicles and equipment.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	1,177	550
Financial Debt (net)	-201	-101
Shareholder's Equity	2,632	1,182
Turnover	42,917	25,616
Operating Cash Flow	3,182	1,121
Operating Income	2,740	802
Financial Income	55	42
Extraordinary Income	3	0
Net Income	2,042	558

Cement Trading Activities – Comércio Internacional, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel.: 21 940 86 00
Fax: 21 940 87 33
Tax number: 504 625 160

Board of Directors

Jorge Manuel Tavares Salavessa Moura – *Chairman*
José Augusto Brás Chaves
José António Sócrates da Costa Mota Martins

Contact

José António Sócrates da Costa Mota Martins – *Director*
E-mail – MMartins@cimpor.pt
Ana Cristina de Sousa dos Santos Ascenso – *General Director*
E-mail – AAscenso@cimpor.pt

Field of Activity

Operation of cement depots and national and international importing and exporting of cement and clinker and other construction materials, for it or on behalf of other parties, in all allowed manners.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	5,971	6,461
Financial Debt (net)	-821	-2,456
Shareholder's Equity	9,826	9,729
Turnover	56,129	48,921
Operating Cash Flow	605	1,308
Operating Income	599	1,308
Financial Income	-429	5,555
Extraordinary Income	0	1,848
Net Income	123	5,953

Spain

Cementos Cosmos, S.A.

Registered Office

C/Brasil, 56
36 204 VIGO
Tel.: 34 986 26 90 00
Fax: 34 986 47 39 51
Tax number: A-28.013.704

Board of Directors

Corporación Noroeste, S.A., represented by:
Eduardo Guedes Duarte – *Chairman*
Angel Longarela Peña – *Managing Director*
José Augusto Brás Chaves – *Board Member*

Contact

Eduardo Guedes Duarte – *Chairman*
E-mail – Eduarte@cimpor.pt
Angel Longarela Peña – *Managing Director*
E-mail – Alongarela@es.cimpor.com

Field of Activity

Production, distribution and sale of cement and other hydraulic binders, their derivatives and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials as well as research and rendering of services.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	72,255	75,736
Financial Debt (net)	773	-1,115
Shareholder's Equity	91,128	88,759
Turnover	106,532	103,453
Operating Cash Flow	44,542	45,968
Operating Income	36,164	37,669
Financial Income	856	695
Extraordinary Income	440	-1,240
Net Income	24,396	24,155

Prebetong Galicia, S.A.

Registered Office

C/Brasil, 56
36 204 VIGO
Tel.: 34 986 26 90 00
Fax: 34 986 41 34 48
Tax number: A-36.605.616

Board of Directors

Corporación Noroeste, S.A., represented by:
Eduardo Guedes Duarte – *Chairman*
Julio César Paredes Seoane – *Managing Director*
Manuel Gómez Alvarez – *Board Member*

Contact

Eduardo Guedes Duarte – *Chairman*
E-mail – Eduarte@cimpor.pt

Field of Activity

Production and sale of ready-mix concrete.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	20,109	16,921
Financial Debt (net)	334	-425
Shareholder's Equity	12,901	13,167
Turnover	32,844	31,752
Operating Cash Flow	925	1,344
Operating Income	191	765
Financial Income	228	247
Extraordinary Income	-52	-204
Net Income	338	605

Spain

Hormigones Miño, S.L.

Registered Office

C/Brasil, 56
36 204 VIGO
Tel.: 34 986 26 90 00
Fax: 34 986 48 21 97
Tax number: B-27.021.401

Board of Directors

Cementos Cosmos, S.A., represented by:
Eduardo Guedes Duarte – *Chairman*
Corporación Noroeste de Hormigones y Aridos, S.L., represented by:
Julio César Paredes Seoane – *Managing Director*
Corporación Noroeste, S.A., represented by:
Manuel Gómez Alvarez – *Board Member*

Contact

Eduardo Guedes Duarte – *Chairman*
E-mail – Eduarte@cimpor.pt

Field of Activity

Industry and sale of ready-mix concrete, sand and cement derivatives in general.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	14,895	11,312
Financial Debt (net)	17	-387
Shareholder's Equity	12,558	12,596
Turnover	34,340	28,632
Operating Cash Flow	612	954
Operating Income	33	6
Financial Income	-5	43
Extraordinary Income	-57	-726
Net Income	-37	-685

Canteras Prebetong, S.L.

Registered Office

C/Brasil, 56
36 204 VIGO
Tel.: 34 986 26 90 00
Fax: 34 986 41 34 48
Tax number: B-36.816.163

Board of Directors

Eduardo Guedes Duarte – *Chairman*
Manuel Gómez Alvarez – *Managing Director*
Julio César Paredes Seoane – *Board Member*

Contact

Eduardo Guedes Duarte – *Chairman*
E-mail – Eduarte@cimpor.pt

Field of Activity

Extraction and sale of limestone, granite and similar stones.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	1,569	2,045
Financial Debt (net)	-3	2
Shareholder's Equity	5,104	4,900
Turnover	5,344	5,026
Operating Cash Flow	1,139	945
Operating Income	753	540
Financial Income	109	95
Extraordinary Income	0	9
Net Income	584	434

Morteros Noroeste, S.L.

Registered Office

C/Brasil, 56
36 204 VIGO
Tel.: 34 986 26 90 00
Fax: 34 986 47 39 51
Tax number: B-36.877.926

Joint General Managers

Corporación Noroeste, S.A., represented by:
Pedro Manuel de Freitas Pires Marques – *Joint General Manager*
Cementos Cosmos, S.A., represented by:
Angel Longarela Peña – *Joint General Manager*

Contact

Angel Longarela Peña – *Joint General Manager*
E-mail – Alongarela@es.cimpor.com

Field of Activity

Production and sale of mortar and its derivatives.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	4,160	4,835
Financial Debt (net)	27	-50
Shareholder's Equity	5,466	5,076
Turnover	9,125	7,853
Operating Cash Flow	2,691	2,123
Operating Income	2,114	1,518
Financial Income	44	32
Extraordinary Income	4	1
Net Income	1,405	1,009

Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A.

Registered Office

Agrupación Córdoba, 15
14014 CÓRDOBA
Tel.: 34 957 01 30 00
Fax: 34 957 26 26 28
Tax number: ESA14635387

Board of Directors

Angel Longarela Peña – *Chairman*
Eduardo Guedes Duarte – *Managing Director*
José Augusto Brás Chaves – *Director*

Contact

Angel Longarela Peña – *Chairman*
E-mail – ALongarela@es.cimpor.com

Field of Activity

Production and sale of cement.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	159,970	178,638
Financial Debt (net)	-15	36
Shareholder's Equity	10,240	3,552
Turnover	91,422	98,912
Operating Cash Flow	26,940	24,427
Operating Income	14,307	11,679
Financial Income	-4,037	-6,262
Extraordinary Income	-100	-52
Net Income	6,688	3,491

Spain

Cementos El Monte, S.A.

Registered Office

Muelle Ingeniero Juan Gonzalo, s/n
21810 Palos de la Frontera – HUELVA
Tel.: 34 959 36 93 20
Fax: 34 959 36 98 37
Tax number: ESA 21292271

Board of Directors

Angel Longarela Peña – *Chairman*
José Augusto Brás Chaves – *Board Member*
Eduardo Guedes Duarte – *Board Member*

Contact

Angel Longarela Peña – *Chairman*
E-mail – ALongarela@es.cimpor.com

Field of Activity

Grinding of clinker for the production and sale of cement.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	14,767	19,626
Financial Debt (net)	-18	-58
Shareholder's Equity	21,603	20,010
Turnover	33,594	27,885
Operating Cash Flow	7,721	5,977
Operating Income	5,832	4,131
Financial Income	87	1
Extraordinary Income	0	8
Net Income	3,847	2,706

Hormigones Hércules S.L.

Registered Office

Polígono Industrial El Prado, Parcela 40
06800 MERIDA (Badajoz)
Tel.: 34 959 28 24 71(*Head Office* – Huelva)
Fax: 34 959 28 25 84 (*Head Office* – Huelva)
Tax number: ES B-82743717

Board of Directors

Eduardo Guedes Duarte – *Managing Director* (*Joint General Manager*)
José Augusto Brás Chaves – *Board Member* (*Joint General Manager*)

Contact

Eduardo Guedes Duarte – *Managing Director*
E-mail – Eduarte@cimpor.pt

Field of Activity

Production and sale of ready-mix concrete, sand and cement derivatives in general.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	19,933	19,903
Financial Debt (net)	312	84
Shareholder's Equity	525	756
Turnover	23,361	11,095
Operating Cash Flow	1,079	775
Operating Income	6	284
Financial Income	-418	-152
Extraordinary Income	61	14
Net Income	-230	51

Cementos de Andalucia S.L.

Registered Office

Agrupación Córdoba, 15
14014 CÓRDOBA
Tel.: 34 954 41 40 29
Fax: 34 954 41 55 70
Tax number: ES B-14054225

Board of Directors

Eduardo Guedes Duarte – *Chairman*
José Augusto Brás Chaves – *Board Member*
Angel Longarela Peña – *Board Member*

Contact

Eduardo Guedes Duarte – *Chairman*
E-mail – Eduarte@cimpor.pt

Field of Activity

Cement sales.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	12,175	0
Financial Debt (net)	294	-15
Shareholder's Equity	217	15
Turnover	87,354	0
Operating Cash Flow	302	0
Operating Income	161	0
Financial Income	146	0
Extraordinary Income	0	0
Net Income	202	0

Occidental de Hormigones S.L.

Registered Office

Poligono Industrial El Nevero,
C/ Miguel de Fabra Parcela 6,
6 006 BADAJOZ.
Tel.: 34 924 27 59 07
Fax: 34 924 27 59 07
Tax number: ES B-06208722

Board of Directors

Eduardo Guedes Duarte – *Managing Director* (*Joint General Manager*)
José Augusto Brás Chaves – *Board Member* (*Joint General Manager*)

Contact

Eduardo Guedes Duarte – *Managing Director*
E-mail – Eduarte@cimpor.pt

Field of Activity

Production and sale of ready-mix concrete, sand and cement derivatives in general.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	16,090	353
Financial Debt (net)	364	52
Shareholder's Equity	47	196
Turnover	12,664	0
Operating Cash Flow	507	0
Operating Income	1	0
Financial Income	-254	0
Extraordinary Income	-3	0
Net Income	-243	0

Morocco

Asment de Témara, S.A.

Registered Office

Route Principale de Casablanca
AIN ATTIG
TEMARA
MOROCCO
Tel.: 212 37 74 07 77
Fax: 212 37 74 15 70
Tax number: 03 375 420

Board of Directors

Jorge Manuel Tavares Salavessa Moura – *Chairman*
Manuel Luís Barata de Faria Blanc
Álvaro João Serra Nazaré
Brahim Laraqui – *General Manager*

— CIMPOR Inversiones, S.L., represented by:
Luís Filipe Sequeira Martins

— La Société des Ciments Français, represented by:
Mohamed Chaibi

— PROCIMAR, represented by:
Jean-Paul Méric

Contact

Álvaro João Serra Nazaré – *Director*
E-mail – SNazare@cimpor.pt
Brahim Laraqui – *General Manager*
E-mail – BLaraqui@ma.cimpor.com

Field of Activity

Production, distribution and sale of cement and other hydraulic binders and their derivatives, and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials and also research and the rendering of services.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	49,605	51,438
Financial Debt (net)	-9,703	-17,433
Shareholder's Equity	62,975	65,159
Turnover	49,914	52,478
Operating Cash Flow	24,161	24,528
Operating Income	17,664	17,203
Financial Income	370	542
Extraordinary Income	1,809	-2,147
Net Income	7,403	11,054

Tunisia

C.J.O. – Société Les Ciments de Jbel Oust

Registered Office

3, Rue de Touraine - Cité Jardins
Le Belvédère
TUNIS 1082
TUNISIA
Tel.: 216 71 84 17 32
Fax: 216 71 78 30 94

Board of Directors

Manuel Luís Barata de Faria Blanc – *Chairman*
Jorge Manuel Tavares Salavessa Moura – *Director*
Luís Filipe Sequeira Martins – *Director*
Álvaro João Serra Nazaré – *Director*
Abdelkader N'Ciri – *General Manager*

Contact

Álvaro João Serra Nazaré – *Director*
E-mail – SNazare@cimpor.pt
Abdelkader N'Ciri – *General Manager*
E-mail – Nciri@cimpor.com.tn

Field of Activity

Production, distribution and sale of cement and other hydraulic binders and their derivatives, and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials and also research and the rendering of services.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	102,399	101,938
Financial Debt (net)	1,907	683
Shareholder's Equity	92,375	89,620
Turnover	53,599	54,918
Operating Cash Flow	14,744	13,342
Operating Income	8,233	4,516
Financial Income	-567	-731
Extraordinary Income	1,355	1,138
Net Income	8,810	6,342

Egypt

Amreyah Cement Company, S.A.E.

Registered Office

El Gharbaneyat – Borg el Arab – Alexandria
EGYPT
Tel.: 203 41 95 600-700
Fax: 203 41 95 628-9

Board of Directors

— PENROD, represented by:
Luís Filipe Sequeira Martins – *Chairman*
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc

— CIMPOR INVESTIMENTOS, SGPS, S.A., represented by:
Álvaro João Serra Nazaré

— CEMENT SERVICES, C°, represented by:
José António Teixeira de Freitas – *Executive Director*

Contact

Álvaro João Serra Nazaré – *Director*
E-mail – SNazare@cimpor.pt
José António Teixeira de Freitas – *Executive Director*
E-mail – Tfreitas@cimpor.com.eg

Field of Activity

Production of all types of cement and clinker and other construction materials, the sale and transport of that production and of any other raw materials within the Arab Republic of Egypt or abroad.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	108,376	123,609
Financial Debt (net)	25,868	33,368
Shareholder's Equity	123,730	124,328
Turnover	47,758	55,302
Operating Cash Flow	14,392	21,301
Operating Income	2,071	6,308
Financial Income	- 4,503	- 4,785
Extraordinary Income	- 2,308	- 8,483
Net Income	7,121	- 5,366

Amreyah Cimpor Cement Company, S.A.E.

Registered Office

El Gharbaneyat – Borg el Arab – Alexandria
EGYPT
Tel.: 203 41 95 600-700
Fax: 203 41 95 628-9

Board of Directors

— CIMPOR CIMENTOS DE PORTUGAL, SGPS, S.A., represented by:
Luís Filipe Sequeira Martins – *Chairman*
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc

— AMREYAH CEMENT COMPANY, represented by:
Álvaro João Serra Nazaré

— CIMPOR EGYPT FOR CEMENT, represented by:
José António Teixeira de Freitas – *Executive Director*

Contact

Álvaro João Serra Nazaré – *Director*
E-mail – SNazare@cimpor.pt
José António Teixeira de Freitas – *Executive Director*
E-mail – Tfreitas@cimpor.com.eg

Field of Activity

Production of all types of cement and of clinker and other construction materials, the sale and transport of that production and of any other raw materials within the Arab Republic of Egypt or abroad.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	88,889	
Financial Debt (net)	17,731	
Shareholder's Equity	28,249	
Turnover	24,447	
Operating Cash Flow	15,014	
Operating Income	10,976	
Financial Income	-1,978	
Extraordinary Income	1	
Net Income	9,256	

Brazil

Companhia de Cimentos do Brasil

Registered Office

Avª. Maria Coelho Aguiar, 215 – Bloco E, 8º andar
Jardim São Luiz – CEP 05805-000 – São Paulo
BRAZIL
Tel.: 55 11 37 41 35 81
Fax: 55 11 37 41 32 95
CNPJ: 10.919.934/0001-85

Board of Directors

Eliezer Batista da Silva – *Chairman*
Raphael Hermeto de Almeida Magalhães – *Vice-Chairman*
Alexandre Roncon Garcez de Lencastre
Manuel Luís Barata de Faria Blanc

Management

Alexandre Roncon Garcez de Lencastre – *Managing Director*
Luiz Carlos Romero Fernandes – *Director*
João Pedro Neto de Avelar Ghira – *Director*
José Abel Pinheiro Caldas de Oliveira – *Director*

Contact

Alexandre Roncon Garcez de Lencastre – *Director*
E-mail – Alencastre@cimpor.pt

Field of Activity

Production and sale of concrete, cement, mortar, lime, limestone products of any type, their by-products and any related products and fibrocement products and construction materials; the extraction, processing, production and sale of minerals: the production and rendering of services for concrete pouring; forestry activities by preparing, carrying out and/or managing its own or third-party forestry projects; livestock operation and production; the management of its own assets; the rendering of management consultancy services; rendering of services to destroy (incinerate) industrial waste; participation in other national and foreign companies as a partner or shareholder.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	140,618	139,742
Financial Debt (net)	- 55,097	- 44,228
Shareholder's Equity	180,415	165,595
Turnover	141,381	165,275
Operating Cash Flow	52,275	80,182
Operating Income	33,672	63,245
Financial Income	- 2,194	- 14,451
Extraordinary Income	170	- 222
Net Income	24,043	35,244

Companhia Paraíba de Cimento Portland-CIMEPAR

Registered Office

Fazenda da Graça, s/n – Ilha do Bispo
Cidade de João Pessoa – CEP 58011-290
Estado de Paraíba
BRAZIL
Tel.: 55 83 241 12 99
Fax: 55 83 241 62 67
CNPJ: 10.804.300/0001-87

Management

Alexandre Roncon Garcez de Lencastre – *Chairman*
Luiz Carlos Romero Fernandes – *Director*
João Pedro Neto de Avelar Ghira – *Director*
José Abel Pinheiro Caldas de Oliveira – *Director*

Contact

Alexandre Roncon Garcez de Lencastre – *Chairman*
E-mail – Alencastre@cimpor.pt

Field of Activity

Industry and commerce of cement, lime and its by-products; the operation of mineral and vegetable industries necessary for and related to those purposes; agricultural activities; incineration of industrial waste; imports and exports; and participation in other companies as a partner, quota-holder or shareholder.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	36,295	37,005
Financial Debt (net)	- 26,272	- 24,684
Shareholder's Equity	118,304	102,965
Turnover	36,752	35,574
Operating Cash Flow	17,712	21,789
Operating Income	14,246	18,626
Financial Income	10,452	11,344
Extraordinary Income	- 575	- 526
Net Income	23,206	26,979

Companhia de Cimento ATOL

Registered Office

Fazenda São Sebastião, s/n
Município de São Miguel dos Campos
Estado de Alagoas
CEP 57240-000
BRAZIL
Tel.: 55 82 271 12 05
Fax: 55 82 271 16 70
CNPJ: 09.934.407/0001-60

Management

Alexandre Roncon Garcez de Lencastre – *Chairman*
Luiz Carlos Romero Fernandes – *Director*
João Pedro Neto de Avelar Ghira – *Director*
José Abel Pinheiro Caldas de Oliveira – *Director*

Contact

Alexandre Roncon Garcez de Lencastre – *Director*
E-mail – Alencastre@cimpor.pt

Field of Activity

Mining in general, improvement and production of limestone, clay, kaolin and related products, the production and marketing of cement of any type, and the incineration of industrial waste, and may import and export whatever is necessary or convenient for performing or expanding its activities, and also participate in other companies, whatever the objective or location, in the country or abroad.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	28,797	26,141
Financial Debt (net)	- 8,077	- 14,700
Shareholder's Equity	58,287	76,322
Turnover	20,988	22,689
Operating Cash Flow	10,424	13,528
Operating Income	6,655	9,825
Financial Income	1,114	4,861
Extraordinary Income	121	117
Net Income	11,434	16,819

Mozambique

Cimentos de Moçambique, S.A.R.L.

Registered Office

Avª. Fernão Magalhães, 34-2º, nº1
MAPUTO
Tel.: 258 1 307 440
Fax: 258 1 307 458

Board of Directors

Manuel Luís Barata de Faria Blanc – *Chairman*
Hermes Santos Silva
Pieter Karl Strauss
Francisco Ilídio da Rocha Diniz
Luis Henrique Marques Vidal Nabais
Vitória Dias Diogo
Rosário Bernardo Francisco Fernandes

Contact

Pieter Karl Strauss
E-mail – Pieter.strauss@za.cimpor.com
Hermes Santos Silva
E-mail – hsilva@br.cimpor.com

Field of Activity

Production, distribution and sale of cement and other hydraulic binders and their derivatives and also related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials and also research and the rendering of services.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	47,230	57,268
Financial Debt (net)	8,645	11,323
Shareholder's Equity	40,745	46,688
Turnover	44,621	40,206
Operating Cash Flow	7,668	11,423
Operating Income	2,704	5,923
Financial Income	- 4,696	- 4,585
Extraordinary Income	- 1,654	- 293
Net Income	- 2,788	1,044

South Africa

NPC – Natal Portland Cement (Pty), Lda.

Registered Office

199 Coedmore Road, Bellair
Durban
SOUTH AFRICA
Tel.: 27 31 450 44 11
Fax: 27 31 451 90 10
Tax number: 1960/001051/07

Board of Directors

Manuel Luís Barata de Faria Blanc – *Chairman*
Jorge Manuel Tavares Salavessa Moura
Luís Filipe Sequeira Martins
Pieter Karl Strauss

Contact

Pieter Karl Strauss
E-mail – Pieter.strauss@za.cimpor.com

Field of Activity

Production of all types of cement and clinker, slag and other construction materials, the sale and transport of that production and of any other raw materials in the Republic of South Africa or abroad.

Key Financial Data (1,000 euros)	2004	2003
Capital Employed	34,101	33,040
Financial Debt (net)	- 3,213	- 5,459
Shareholder's Equity	84,790	55,102
Turnover	85,272	69,152
Operating Cash Flow	38,770	31,177
Operating Income	34,621	26,547
Financial Income	- 168	1,359
Extraordinary Income	15	- 179
Net Income	24,058	19,140

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HOLDING ANNUAL REPORT

Holding Company

Directors' Report

The Directors' Report on the consolidated operations of CIMPOR – Cimentos de Portugal, SGPS, S.A., covers all aspects, not only of the company's governance, but also the business activities of Group companies. The Board of Directors thus recommends that shareholders read the consolidated report for additional information on these matters.

1. Summary of the Business

The Holding Company's 2004 Turnover, of approximately 7.3 million euros, results exclusively from rendering management services to the Group's companies. The said turnover fell about 30%, compared with the previous year since many of the services in question are now rendered by CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A. (which also explains the lower operating costs).

On the other hand, the lower Financial Income – essentially due to the sub-holding CIMPOR Portugal's lower earnings, through the equity method – was more than compensated by capital gains obtained from selling all the capital of CIMPOR Internacional to CIMPOR Inversiones. Consequently, the Net Income for the year, of 185.9 million euros, was nearly identical to the previous year's figures.

2. Legal Information

The following information is provided in compliance with the current legal requirements:

- There are no overdue amounts payable to Social Security;
- At the beginning of 2004, CIMPOR held 5,340,565 own shares. During the year it sold 588,605 shares to various Group employees under the stock purchase and options plans indicated in point 1.6. of chapter I of the Annual Report covering consolidated activities, at the following unit prices:

Number of Shares	Price (euros)
133,755	3.28
6,200	3.70
182,650	2.84
266,000	3.20

CIMPOR did not acquire any shares during the year and thus at the end of 2004 it held 4,751,960 own shares, representing 0.71% of its share capital;

- There were no transactions between the Company and its directors.

3. Post Balance Sheet Events

No events of special significance took place after the end of 2004, other than those already described in the Directors' Report covering the CIMPOR Group's consolidated operations.

4. The Outlook for 2005

Although expectations for the Brazilian market are not particularly optimistic since they indicate continued falling cement prices, although at a slower rate, the outlook for the Group's markets in Northern and Southern Africa calls for improved trading, particularly in Angola and Cape Verde, which permit the company to look forward to 2005 with some optimism.

5. Proposed Appropriation of Profits

As reflected in the Financial Statements, net income for 2004 amounted to 185,909,363.64 euros.

In compliance with the parameters set forth in the Articles of Association and the company's dividend distribution policy explained in the Directors' Report covering the Group's consolidated operations, it is proposed that the net income be appropriated as follows:

- 9,300,000.00 euros, corresponding to 5% of the net income, to reinforce the Legal Reserve;
- in conformity with the criteria of previous years, and as set forth in paragraph d) of no. 1 of article 21 of the Articles of Association, 2,500,000 euros to be paid in the form of Bonuses to directors and other personnel working for CIMPOR – Cimentos de Portugal, SGPS, S.A., at the end of December 2004;
- 120,960,000.00 euros to be distributed among shareholders, corresponding to a dividend of 0.18 euros per share (5.9% more than in the previous year);
- the remaining balance to be appropriated to Retained Earnings.

In summary, and with reference to the various paragraphs of no. 1 of article 21 of the Articles of Association:

	(euros)
Legal Reserve (paragraph c))	9,300,000.00
Remuneration and Bonuses (paragraph d))	2,500,000.00
Dividends (paragraph f))	120,960,000.00
Retained Earnings (paragraph g))	53,149,363.64
Total	**185,909,363.64**

Lisbon, 7 April 2005

THE BOARD OF DIRECTORS

Ricardo Manuel Simões Bayão Horta

Luís Eduardo da Silva Barbosa
Jean Carlos Angulo
Luís Filipe Sequeira Martins
Pedro Maria Calaínho Teixeira Duarte
Vicente Arias Mosquera

Jacques Lefèvre
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
João Salvador dos Santos Matias
Manuel Roseta Fino

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HOLDING ANNUAL REPORT

Financial Statements of the Holding Company

CIMPOR

Balance Sheets

as of 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 24)

(Amounts stated in thousands of euros)

	Notes	2004	2003
CURRENT ASSETS:			
Cash and cash equivalents		8,428	1,783
Accounts receivable-trade, net	3	24	24
Accounts receivable-other, net	3	115,093	80,690
Prepaid expenses and other current assets		248	65
Total current assets		123,793	82,562
Investments, net	5	943,963	1,062,050
Fixed assets, net	6	6,927	7,281
Other non-current assets, net	4	8	-
Deferred taxes	12	10,833	38,250
Total assets		**1,085,523**	**1,190,143**
CURRENT LIABILITIES:			
Short term debt	7	249	60,256
Accounts payable-trade	8	364	1,861
Accounts payable-other	8	38,564	75,258
Accrued costs	9	1,187	4,844
Taxes payable	10	702	477
Deferred income		-	1,155
Provision for other risks and costs	11	73,516	67,352
Total current liabilities		114,582	211,203
Medium and long-term debt	7	249	17,999
Deferred taxes	12	340	356
Total liabilities		**115,171**	**229,558**
SHAREHOLDERS' EQUITY:			
Share capital	14	672,000	672,000
Own shares	14	(15,534)	(17,403)
Revaluation reserve	14	1,938	1,980
Legal reserve	14	76,500	67,200
Other reserves and retained earnings	14	49,540	50,926
Net income for the year	14	185,909	185,883
Total shareholders' equity		**970,353**	960,586
Total liabilities and shareholders' equity		**1,085,523**	**1,190,143**

The accompanying notes form an integral part of these financial statements.

Statements of Profit and Loss

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 24)

(Amounts stated in thousands of euros)

	Notes	2004	2003
OPERATING REVENUE:			
Sales and services rendered	15	7,283	10,473
Other revenue and costs		852	1,185
Total operating revenue		**8,135**	**11,658**
OPERATING COSTS AND EXPENSES:			
Operating expenses		(7,205)	(7,393)
Payroll expenses	16	(9,812)	(10,882)
Depreciation and amortisation		(281)	(381)
Provisions		(5,121)	(5,366)
Other operating costs and expenses		(126)	(366)
Total operating costs and expenses		**(22,545)**	**(24,388)**
Operating loss		(14,411)	(12,730)
Financial income, net	17	129,261	190,428
Extraordinary items, net	18	64,793	(219)
Income before income tax		179,644	177,479
Provision for income tax	12	6,265	8,404
Income before minority interest		185,909	185,883
Net income for the year		**185,909**	**185,883**

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 24)

(Amounts stated in thousands of euros)

	Notes	2004	2003
OPERATING ACTIVITIES:			
Receipts from customers		188	105
Payments to suppliers		(9,486)	(6,066)
Payments to employees		(13,276)	(12,521)
Cash generated by operations		(22,574)	(18,482)
Payments relating to income tax		40,195	57,857
Other		7,141	11,749
Cash flow before extraordinary items		24,763	51,124
Receipts relating to extraordinary items		-	155
Payments relating to extraordinary items		(8)	(125)
Net cash from operating activities (1)		24,754	51,154
INVESTING ACTIVITIES:			
Receipts relating to:			
Investments	1	208,460	748,872
Property, plant and equipment		101	33
Interest and related income		11,835	26,140
Dividends	2	15,666	101,907
Total receipts		**236,062**	**876,952**
Payments relating to:			
Investments	3	(6,715)	(4,000)
Property, plant and equipment		(138)	(242)
Total payments		**(6,853)**	**(4,242)**
Net cash used in investing activities (2)		229,210	872,710
FINANCING ACTIVITIES:			
Receipts relating to:			
Loans obtained	4	12,500	161,800
Own shares sold		1,687	4,356
Other	5	101,000	513,800
Total receipts		**115,187**	**679,956**
Payments relating to:			
Loans	4	(92,401)	(1,039,323)
Interest and related expenses		(19,192)	(57,030)
Dividends		(113,465)	(104,568)
Income tax on dividends		-	(2,095)
Own shares purchased		-	(2,492)
Other	5	(136,400)	(398,489)
Total payments		**(361,459)**	**(1,603,997)**
Net cash from (used in) financing activities (3)		(246,272)	(924,041)
Net change in cash and cash equivalents (4) = (1)+(2)+(3)		7,692	(177)
Net cash and cash equivalents - beginning of period		1,783	1,345
Foreign exchange effect		(1,047)	615
Net cash and cash equivalents - end of period		**8,428**	**1,783**

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows (continued)

(Translated and reformatted from the Portuguese original - Note 24) — Amounts stated in thousands of euros

1. Receipts relating to investments

a) Repayment of supplementary capital contributions

	Amounts received
Cimpor Internacional, SGPS, S.A.	8,000
Cimpor Finance, Limited	19,000
	27,000

b) Sale of subsidiary companies

	Amounts received
Cimpor Internacional, SGPS, S.A.	96,350
Cimpor Investimentos, SGPS, S.A.	85,110
	181,460
	208,460

2. Dividends received

	Amounts received
Cimpor Investimentos, SGPS, S.A.	**15,666**

3. Payments relating to investments

Acquisitions and capital increases in subsidiaries and other investments

	Amounts paid
Cimpor Tec - Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A.	50
Cimpor Inversiones, S.A.	6,665
	6,715

The accompanying notes form an integral part of these financial statements.

4. Loans

	Currency	Loans obtained during the year	Loans paid during the year
CGD - Commercial paper	EUR	12,500	12,500
DBI - Commercial paper	USD	-	61,516
ICEP	EUR	-	249
BTM	EUR	-	5,000
BBPI	EUR	-	636
BTA	EUR	-	12,500
		12,500	**92,401**

5. Loans to and from Group companies

	Amounts paid during the year	Amounts received during the year
Cimpor - Indústria de Cimentos, S.A.	55,500	17,500
Cimpor Internacional, SGPS, S.A.	57,000	52,000
Cimpor Investimentos, SGPS, S.A.	23,900	-
Cimpor Portugal, SGPS, S. A.	-	31,500
	136,400	**101,000**

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Shareholders' Equity

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 24)

(Amounts stated in thousands of euros)

	Share capital	Own shares	Revaluation reserve	Legal reserve	Adjustment in equity investments	Other reserves and retained earnings	Net income for the year	**Total**
BALANCES AS OF 31 DECEMBER 2002	672,000	(19,245)	2,022	58,300	(109,511)	169,448	176,563	949,577
Earnings allocated to reserves	-	1,842	-	8,900	-	59,350	(67,393)	2,699
Dividends paid	-	-	-	-	-	-	(107,520)	(107,520)
Distribution of profits to employees	-	-	-	-	-	-	(1,650)	(1,650)
Acquisiton/sale of own shares	-	-	-	-	-	(34)	-	(34)
Other adjustments	-	-	(42)	-	8,172	(76,499)	-	(68,369)
Net income for the year	-	-	-	-	-	-	185,883	185,883
BALANCES AS OF 31 DECEMBER 2003	672,000	(17,403)	1,980	67,200	(101,339)	152,265	185,883	960,586
Earnings allocated to reserves	-	1,869	-	9,300	-	61,268	(69,793)	2,644
Dividends paid	-	-	-	-	-	-	(114,240)	(114,240)
Distribution of profits to employees	-	-	-	-	-	-	(1,850)	(1,850)
Acquisiton/sale of own shares	-	-	-	-	-	(37)	-	(37)
Other adjustments	-	-	(42)	-	119,747	(182,364)	-	(62,659)
Net income for the year	-	-	-	-	-	-	185,909	185,909
BALANCES AS OF 31 DECEMBER 2004	672,000	(15,534)	1,938	76,500	18,408	31,132	185,909	970,352

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

for the years ended 31 December 2004 and 2003

(Translated and reformatted from the Portuguese original - Note 24) — Amounts stated in thousands of euros

1. Introduction

Cimpor - Cimentos de Portugal, SGPS, S.A. ("the Company" or "Cimpor") was incorporated on 26 March 1976, as a wholly owned Portuguese Government company. After several privatisation phases Cimpor is now a public company listed on the Lisbon stock exchange. The Company operates in Portugal, Spain, Morocco, Mozambique, Angola, Brazil, Tunisia, Egypt and South Africa ("the Cimpor Group").

The Cimpor Group's investments are held essentially through two sub-holding companies; (i) Cimpor Portugal, SGPS, S.A., which holds the investments in companies dedicated to the production of cement, ready mix concrete, concrete parts and related activities in Portugal; (ii) Cimpor Inversiones, S.L., which holds the investments in companies with head offices abroad.

2. Summary of significant accounting policies

The attached financial statements were prepared in a going concern basis from the Company's accounting records.

The financial statements are stated in thousands of euros and, except for the financial derivative instruments, hedge accounting and the measurement of certain financial investments recorded in accordance with IAS 39, were prepared in accordance with generally accepted accounting principles in Portugal ("Portuguese GAAP") which may be different from generally accepted accounting principles in other countries. The attached financial statements also include certain reclassifications in order to conform more closely to the form and content of financial statements presented in international financial markets.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the report period. Actual results could differ from those estimates.

These financial statements refer to the company on an individual non-consolidated basis, investments being recorded in accordance with the equity method as described below.

The principal accounting policies used in the preparation of the non-consolidated financial statements are:

Investments

Investments in group and associated companies are recorded using the equity method of accounting, such investments being initially recorded at cost which is then increased or reduced to the amount corresponding to the proportion owned of the book equity of these companies as of the date of acquisition of the investment or the date the equity method was first applied.

Whenever necessary in order to conform the financial statements of group and associated companies to the Group's accounting policies, adjustments and reclassifications are made to them.

In accordance with the equity method of accounting, investments are adjusted by the amount corresponding to the Company's share in the net results of the group companies, by corresponding entry to the statement of profit and loss for the year, and by other variations in the equity of subsidiary companies, by corresponding entry to the caption "Adjustments in equity investments". In addition, dividends received from these companies are recorded as deductions from the investments.

Other investments are stated at cost less, when applicable, a provision for estimated losses on realisation.

Goodwill

Goodwill arises from the difference between the cost of the investments in subsidiary companies and the related fair value of the subsidiaries' net assets as of the date of acquisition. Goodwill is capitalised and amortised on a straight-line basis over its estimated realisation period, which varies from five to twenty years.

Intangible assets

This caption consists primarily of research and development costs.

Research and development costs comprise costs incurred on specific projects with economic value, which are amortised on a straight-line basis over three years.

Property, plant and equipment

Property, plant and equipment is stated at cost, which includes acquisition expenses or, in the case of certain fixed assets acquired up to 31 December 1992, at restated value computed in accordance with the revaluation criteria established by the applicable Portuguese legislation. Gains and losses on the disposal of fixed assets are recorded as extraordinary items.

Depreciation is provided on a straight-line basis over the estimated useful lives of the property, plant and equipment, except for certain basic equipment, which is being depreciated using declining rates. In both methods, the full year rate is used in the year of acquisition. The rates of depreciation correspond to the following estimated average useful lives:

	Years
Buildings and other constructions	10 - 50
Basic equipment	7 - 16
Transportation equipment	4 - 5
Administrative equipment	3 - 14

Provisions

The provision for doubtful accounts receivable is stated at the amount considered necessary to cover potential risks in the collection of overdue accounts receivable balances.

Other provisions are recorded at the amounts considered necessary to cover estimated losses.

Foreign currency transactions and balances

Foreign currency assets and liabilities for which there is no fixed exchange rate agreement are translated to euros at the rates of exchange prevailing at the balance sheet date. Exchange differences are credited or charged to the statement of profit and loss in the year in which they arise, except for the following, which are recorded in the balance sheet in the caption "Adjustments in equity investments":

- Exchange differences arising on the translation of medium and long term foreign currency inter group balances which, in practice, correspond to an extension of investments;
- Exchange differences arising on financial operations hedging exchange risk on foreign currency investments, as established in International Accounting Standard (IAS) 21, provided that they comply with the efficiency criteria established in IAS 39.

Cash and cash equivalents

Cash represents immediately available funds and cash equivalents include liquid investments readily convertible to cash with an original maturity of three months or less.

Retirement pension benefits

Certain subsidiary companies have assumed the responsibility for paying additional pensions to those paid by the Portuguese Social Security, under two different schemes: a defined benefit plan and a defined contribution plan. The related liabilities are recorded in accordance with Portuguese Accounting Directive 19.

In accordance with this directive, payments made to the defined contribution plan are expensed in the year to which they relate. In the case of the defined benefit plan, costs are expensed over the normal active service life of the employees. An actuarial valuation is performed at the end of each period in order to calculate the present value of the past service liability and the cost to be recorded in the period. The present value of the past service liability is compared with the market value of the plan's assets in order to determine differences to be recorded in the balance sheet. The costs incurred in the year are recorded as payroll costs, based on the actuarial data.

Health benefits

Certain subsidiary companies have supplementary health benefits for their employees to those provided by the Public Social Security. The liabilities and costs resulting from these benefits are recorded in a similar manner to the retirement pension liabilities and costs referred to above.

Specific provisions to cover these liabilities are recorded in accordance with the criteria established by Portuguese Accounting Directive 19.

The actuarially determined cost of healthcare to be provided as from retirement age is recorded in the balance sheet caption "Provisions for risks and costs".

Income tax

The Cimpor Group has adopted the tax consolidation regime presently in force in Portugal. In accordance with this regime the provision for income tax is determined based on the estimated consolidated taxable profit of all the companies covered by this regime (all the 90% or more owned subsidiaries located in Portugal). The remaining group companies not covered by the tax consolidation regime are taxed individually, based on their respective taxable profits, computed in accordance with the tax legislation, at the applicable tax rates.

Deferred tax assets and liabilities are calculated annually, using the rates expected to be in force when the timing differences reverse.

Deferred tax assets are only recognised when there is reasonable expectation that sufficient taxable profits will exist to use them. A reappraisal of the timing differences underlying the deferred tax assets is made at the balance sheet date, so as to recognise or adjust them based on the current expectation of their future recovery.

Revaluation reserve

Amounts recorded in this caption, resulting from the net increase in property, plant and equipment through revaluations made in accordance with the defined criteria, are transferred to retained earnings when realised through sale, write-off or depreciation of the related items. In general these amounts are not available for distribution and can only be used to increase share capital or to cover losses incurred up to the end of the period to which the revaluation relates.

Accruals basis

The company records income and expenses on an accruals basis. Under this basis income expenses are recorded in the period to which they relate independently of when the corresponding amounts are received or paid. Differences between the amounts received and paid and the related income and expenses are recorded in accrual and deferral captions.

Current classification

Assets to be realised and liabilities to be settled within one year of the balance sheet date are classified as current.

Financial derivative instruments and hedge accounting

The Group has the policy of using financial derivative instruments to hedge interest and exchange rate risks to which it is exposed.

The Group does not resort to financial derivatives for speculation purposes.

Financial derivatives are used in accordance with internal policies defined by the Board of Directors.

Financial derivatives are valued at their respective fair values, the method of recognising them depending upon their nature and the purpose for which they are contracted.

HEDGE ACCOUNTING

Financial instruments are designated as hedging instruments in accordance with the provisions of IAS 39, namely as regards their documentation and effectiveness.

Changes in the fair value of derivatives designated as fair value hedging instruments, as well as in the fair value of the assets or liabilities subject to such risk, are recognised as financial income and expenses for the period.

Changes in the fair value of derivatives designated as cash flow hedging instruments are recorded in the caption "Other reserves" as regards their effective component and in financial income and expenses as regards their non-effective component. The amounts recorded in the caption "Other reserves" are transferred to financial income and expenses in the period in which the item covered also affects profit and loss.

As in the case of cash flow hedging instruments, changes in the value of derivates hedging net investments in foreign entities are recorded in the caption "Cumulative translation adjustments" as regards their effective component and in the statement of profit and loss for the period as regards their non-effective component. If the hedging instrument is not a derivative, the variations resulting from changes in exchange rates are recorded in the caption "Cumulative translation adjustments".

Hedge accounting is discontinued when a hedging instrument reaches maturity, it is sold or exercised or when the hedge stops complying with the requirements of IAS 39.

TRADING INSTRUMENTS

Changes in the fair value of financial derivatives contracted for hedging purposes in accordance with the Group's risk management policies, but which do not comply with the requirements of IAS 39 to qualify for hedge accounting, are recorded in the statement of profit and for the period in which they occur.

3. Accounts receivable, net

This caption consists of:

	2004	2003
Accounts receivable from affiliated companies (Note 13)	75,295	77,992
Accounts receivable from public entities	2,421	2,226
Other receivables	37,401	496
	115,117	**80,714**

4. Other non-current assets, net

This caption consists of:

	2004	2003
Doubtful accounts receivable	5,984	6,089
Other receivables	618	611
	6,602	6,700
Less: Provision for doubtful accounts receivable (Note 11)	(6,594)	(6,700)
	8	**-**

The Company classifies, as doubtful, specific overdue accounts receivable balances from customers. As these balances, together with other balances classified under the caption other receivables are not fully collectible, the Company records a provision for doubtful accounts receivable to cover the estimated loss on their realisation.

5. Investments, net

This caption consists of:

	2004	2003
AFFILIATED COMPANIES:		
Cimpor Internacional, SGPS, S.A.	-	69,925
Cimpor Investimentos, SGPS, S.A.	-	98,887
Cimpor Portugal, SGPS, S.A.	420,739	359,066
Cimpor Finance Limited	22,192	39,971
Cimpor Financial Operations, B.V.	1,509	1,512
Kandmad, SGPS, Lda	4,277	3,246
Cimpor Reinsurance, S.A.	6,625	4,229
Cimpor Inversiones, S.L.	488,451	147,284
Cement Services Company	47	17
Cimpor Tec - Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A.	50	-
	943,890	724,137
Loans to affiliated companies	-	337,839
SECURITIES AND OTHER INVESTMENTS:		
Companhia de Cimentos de Moçambique, S.A.	4,050	4,050
Other	74	75
	4,124	4,125
Less: provisions (Note 11)	(4,051)	(4,051)
	943,963	**1,062,050**

The investments in affiliated companies are recorded in accordance with the equity method of accounting. Other participations are stated at cost less, when applicable, a provision for estimated loss or realisation.

Loans to affiliated companies are recorded at their nominal value.

Application of the equity method to investments in affiliated companies had the following effect:

	Profit/ (loss) (Note 18)	Adjustment in equity investments (Note 15)	Dividends	Provisions increase/(decrease) (Note 11)	Total
Cimpor Inversiones, S.L.	78,103	(94,535)	-	-	(16,432)
Cimpor Finance Limited	1,776	3,751	-	-	5,527
Cimpor Reinsurance, S.A.	2,738	(343)	-	-	2,395
Cimpor Portugal, SGPS, S.A.	40,662	21,010	-	-	61,672
Cimpor Investimentos, SGPS, S.A.	3,973	-	(15,666)	-	(11,694)
Cimpor Internacional, SGPS, S.A.	1,989	-	-	-	1,989
Kandmad, SGPS, Lda.	1,047	(15)	-	-	1,032
Cimpor Egypt for Cement	57	(977)	-	920	-
Cimpor Financial Operations, B.V.	(3)	-	-	-	(3)
Cement Services Company	33	(3)	-	-	30
	130,375	**(71,111)**	**(15,666)**	**920**	**44,517**

As a result of the sale of Cimpor Internacional, SGPS, S.A. and Cimpor Investimentos, SGPS, S.A., the results of these companies were recognised through application of the equity method in Cimpor Portugal SGPS, S.A., shareholder of Cimpor Investimentos, SGPS, S.A.. Additionally, the loss of 2,084 thousand euros on the sale of Cimpor

Internacional, SGPS, S.A. and gain of 69,437 thousand euros on the sale of Cimpor Investimentos, SGPS, S.A. were deducted from the result of Cimpor Portugal, SGPS, S.A. (Note 18).

The adjustments in equity investments relating to Cimpor Inversiones include: (i) the effect of adopting the provisions of IAS 39 relating to hedge accounting and the recording of financial derivatives; and (ii) the effect of translating the foreign currency financial statements of affiliated companies.

6. Property, plant and equipment, net

This caption comprises the following, at net book value:

	2004	2003
COST:		
Land and natural resources	2,409	2,409
Buildings and other constructions	8,843	8,910
Basic equipment	3,051	5,211
Transportation equipment	319	615
Administrative equipment	5,601	5,601
Fixed assets in progress	33	69
	20,257	22,815
ACCUMULATED DEPRECIATION:		
Buildings and other constructions	(4,804)	(4,698)
Basic equipment	(2,978)	(5,055)
Transportation equipment	(308)	(593)
Administrative equipment	(5,239)	(5,188)
	(13,330)	(15,534)
NET BOOK VALUES:		
Land and natural resources	2,409	2,409
Buildings and other constructions	4,040	4,212
Basic equipment	72	156
Transportation equipment	11	22
Administrative equipment	362	413
Fixed assets in progress	33	69
	6,927	**7,281**

Property, plant and equipment has been revalued in accordance with Decree Laws 126/77, 219/82, 399-G/84, 118-B/86, 111/88, 36/91, 49/91, 22/92 and 264/92 using price indices established by that legislation.

The effect of the revaluations on net book value, is as follows:

	Historical cost	Revaluation	Revalued amounts
Land and natural resources	359	2,050	2,409
Buildings and other constructions	970	3,069	4,040
Basic equipment	72	-	72
Transportation equipment	11	-	11
Administrative equipment	342	20	362
	1,755	**5,140**	**6,894**

A portion (40%) of the additional depreciation arising from the revaluations is not deductible for income tax purposes (Note 13).

7. Loans

This caption consists of:

	2004		2003	
	Short-term	Long-term	Short-term	Long-term
Bank loans	**-**	**-**	**60,006**	**17,500**

8. Accounts payable

This caption consists of:

	2004	2003
Accounts payable to related companies	38,552	75,100
Accounts payable to suppliers	364	1,861
Suppliers of fixed assets	-	86
Other creditors	11	72
	38,927	**77,119**

9. Accrued expenses

This caption consists of:

	2004	2003
Vacation pay and vacation bonus	1,092	1,324
Accounts payable relating to financial operations	-	3,020
Other	95	500
	1,187	**4,844**

10. Taxes payable

This caption consists of:

Withholding tax	201
Value added tax	389
Social Security contributions	111
	702

11. Movement in the provisions

During the year ended 31 December 2004, the movement in the provision account balances, was as follows:

	Beginning balance	Increases	Decreases (Note 18)	Ending balance
Provisions for doubtful accounts receivable	6,701	-	(106)	6,595
Provisions for other risks and costs:				
Tax contingencies	62,458	7,084	-	69,542
Other risks and costs	4,894	-	(920)	3,974
Provision for investments	4,051	-	-	4,051
	78,103	**7,084**	**(1,026)**	**84,162**

The increase in provisions for other risks and costs includes 920 thousand euros resulting from application of the equity method, and reflects the Company's liability in the case of investments in companies with negative equity.

The increase in the provision for tax contingencies was recorded by corresponding entry to the following captions:

Tax contingencies	963
Depreciation and amortisation	5,121
Extraordinary items	1,000
	7,084

12. Income tax

The Company is subject to corporate income tax at the rate of 25%, and municipal surcharge of 10%. Gains and losses in associated companies recorded under the equity method are not relevant for tax purposes. The same applies to dividends received from affiliated companies.

As from 2001 the Company and its 90% or more owned subsidiaries in Portugal, have been subject to the special regime for taxation of groups of companies. This regime consists of applying, to the consolidated taxable results of the companies included in the consolidation, less dividends distributed, the corporate income tax rate plus the municipal surcharge.

In accordance with current legislation the tax returns of the Company and its subsidiaries are subject to review and correction by the tax authorities during a period of four years and, for Social Security, during a period of five years (ten years up to 2001, inclusive), except where there are tax losses, tax benefits have been granted or inspections, claims or appeals are in progress, in which case the periods can be extended or suspended. Consequently, the tax returns of the Company and its subsidiaries for the years 2001 to 2004 are still subject to review and correction.

As a result of a review made by the tax authorities of the corporate income tax returns for the years 1996 to 2000, additional assessments were received, which were determined in accordance with the tax consolidation regime, the most significant item being the increase in depreciation resulting from the revaluation of property, plant and equipment. The Board of Directors believes, based on technical opinions of its consultants, that the above mentioned corrections have no legal grounds and, accordingly, they have been legally contested.

In addition, as the above mentioned notifications were received after the last phase of re-privatisation of the Company, the Board of Directors believes that any payment of the above tax is the responsibility of the

Government body, Fundo de Regularização da Dívida Pública, and has already requested payment of any amount found to be due.

In order to recognise this contingency, the Company has recorded a provision of 69,542 thousand euros (Note 11), of which 41,300 thousand euros relates to the additional tax assessment, including an estimate for the years 2001 to 2004 not yet reviewed, the balance corresponding to other corrections and interest.

Timing differences between the recognition of income and expenses for accounting and tax purpose are considered in computing the income tax charge for the year.

Reconciliation of the provision for income tax at the statutory Portuguese income tax rate, for the year ended 31 December 2004 and the effective income tax rate, is as follows:

	Tax base	Income tax
Profit before income tax	179,644	
Timimg differences	(2,539)	
Permanent differences	(193,473)	
	(16,368)	
Normal charge		(4,501)
Autonomous taxation		14
		(4,487)
Deferred tax on timing differences reversed in the period		698
Tax contingencies (Note 11)		963
Prior year adjustments		265
Adjustments to the consolidated tax Group's tax and others		(3,704)
Charge for the period		**(6,265)**

Permanent differences include mainly elimination of the effect of applying the equity method and amortisation of goodwill.

The movement in deferred taxes in the year ended 31 December 2004 is as follows:

	Beginning balance	Net income	Shareholders' equity	Transfers	Ending balance
Deferred tax assets:					
Provision for doubtful debts	478	(1)	-	-	477
Provision for other risks and costs	322	(302)	-	-	21
Tax losses carried forward	37,451	7,688	(2,417)	(32,387)	10,335
Other	-	91	(91)	-	-
	38,251	7,477	(2,508)	(32,387)	10,833
Deferred tax liabilities:					
Revaluation of tangible fixed assets	356	(16)	-	-	340

The deferred tax asset of 2,417 thousand euros recorded in the year ended 31 December 2004 by corresponding credit to the shareholders' equity caption "Adjustment in equity investments" (Note 14), results from exchange losses arising on the translation of medium and long term intra-group foreign currency balances which, in practice, correspond to an extension of the investments.

13. Related parties

The principal balances at 31 December 2004 and transactions in the year then ended with Group companies are as follows:

	Accounts receivable		Accounts payable	Transactions	
	Group companies	Other	Group companies	Services rendered	Other revenue
Agrepor Agregados, S.A.	78	-	-	-	78
Alempedras, Sociedade de Britas, Lda.	3	-	-	-	3
Amreyah Cement Company, S.A.E.	11	-	-	-	-
Asment de Témara, S.A.	194	-	-	194	-
Betaçor-Fab. Bet. Artef. Cimento, S.A.	3	-	-	-	3
Betão Liz, S.A.	32	-	-	-	32
Cecisa Comércio Internacional, S.A.	28	-	-	-	28
Celfa, S.A.	4	-	-	-	4
Ciarga - Argamassas Secas, S.A.	29	-	-	-	29
Cimadjuvantes, Lda.	9	-	-	-	-
Cimentaçor - Cimentos dos Açores, Lda.	51	-	-	-	51
Cimentos de Moçambique, SARL	4	-	-	-	-
Cimpor Betão -Indústria Betão Pronto, S.A.	174	-	-	390	96
Cimpor Egypt for Cement, S.A.E.	83	-	-	-	-
Cimpor Finance Limited	41	-	-	-	-
Cimpor Imobiliária, S.A.	14	47	-	-	14
Cimpor - Indústria Cimentos, S.A.	41,720	37,060	322	6,610	73
Cimpor Internacional, SGPS, S.A.	6	-	38,170	60	-
Cimpor Investimentos, SGPS, S.A.	3	-	27	30	2
Cimpor Portugal, SGPS, S.A.	32,389	-	-	-	4
Cimpor Serviços Apoio à Gestão Empresas, S.A.	-	-	32	-	30
Corporación Noroeste, S.A.	143	-	-	-	143
CTA - Comercio In., S.A.	19	-	-	-	19
Fornecedora de Britas do Carregado, S.A.	24	-	-	-	24
Geofer - Prod.Com.de Bens Equip., S.A.	26	-	-	-	26
Imopar, SARL	10	-	-	-	-
Jomatel-Emp. Mat. Construção, S.A.	28	-	-	-	28
Mossines, S.A.	53	-	-	-	53
Premap - Préfabricados de Maputo, SARL	6	-	-	-	-
Sacopor-Soc Emb e Sacos de Papel, S.A.	23	-	-	-	23
Société des Ciments de Jbel Oust	68	-	-	-	68
Transviária - Gestão de Transpores, S.A.	19	1	-	-	19
	75,295	**37,107**	**38,552**	**7,283**	**852**

The balance receivable from Cimpor – Indústria de Cimentos, S.A. includes 38,000 thousand euros relating to treasury support.

The balance payable to Cimpor Internacional, SGPS, S.A. includes 38,000 thousand euros relating to treasury support.

14. Share capital and reserves

At 31 December 2004, Cimpor's fully subscribed and paid up share capital consisted of 672 million shares with a nominal value of one euro each.

The last known capital structure of the Company is as follows (includes shares owned by related companies and their corporate board members):

	%	Number of shares
Teixeira Duarte, SGPS, S.A.	20.59	138,372,075
Grupo Credit Suisse First Boston	12.66	85,103,014
Financiére Lafarge, S.A.	12.64	84,908,825
Manuel Fino, SGPS, S.A.	11.28	75,825,000
Fundo de Pensões do Banco Comercial Português	10.00	67,200,000
Fundação Berardo, Instituição Particular de Solidariedade Social	8.77	58,947,945
HSBC Holdings plc	4.36	29,332,295
Bipadosa, S.A.	2.00	13,434,241
Others	17.70	118,876,606
	100.00	**672,000,000**

REVALUATION RESERVE

This caption results from the revaluation of property, plant and equipment in accordance with the applicable legislation (Note 6). In accordance with current legislation and the accounting practices followed in Portugal this reserve can only be used, when realised, to cover losses or to increase share capital.

LEGAL RESERVE

In accordance with current legislation the Company must appropriate, to the legal reserve, 5% of its annual net profit until the reserve equals a minimum of 20% of capital. This reserve cannot be distributed to the shareholders but can be used to absorb losses once all the other reserves have been used, up or to increase capital.

The net profit for 2003 was appropriated as follows, in accordance with a decision of the Shareholders' Annual General Meeting held on 14 May 2004:

Dividends	114,240
Employees' bonus	1,850
Retained earnings	60,493
Legal reserve	9,300
	185,883

Undistributed dividends attributed to own shares, in the amount of 775 thousand euros, are included on the caption "Other reserves and Retained earnings".

OWN SHARES

Commercial legislation relating to own shares requires the existence of a free reserve equal to the amount of the cost of such shares, which is not available for distribution while the shares are not sold. In addition, the applicable accounting rules require gains and losses on the sale of own shares to be recorded in reserves.

The movement in own shares corresponds to the sale of 588,605 shares to several employees of the Group for a total of 1,832 thousand euros, which resulted in a decrease of 37 thousand euros in Other reserves.

At 31 December 2004 Cimpor held 4,751,960 own shares.

The Other adjustments in the Statements of Changes in Shareholders' Equity, relate mainly to: (i) transfer from "Retained earnings" to "Adjustments in equity investments" of the results not distributed by subsidiary companies recorded in accordance with the equity method; (ii) adjustment of investments resulting from changes in the equity of subsidiary companies; and, (iii) exchange differences on foreign currency medium and long-term intra-group balances, which, in practice, correspond to extensions of the investments.

15. Sales and services rendered

Sales and services rendered for the year ended 31 December 2004 result from contracts to render administrative services entered into with affiliated companies.

16. Payroll costs

This caption consists of:

	2004	2003
Salaries	7,055	7,837
Social charges:		
Pensions	126	875
Others	2,632	2,170
	9,812	**10,882**

17. Financial income, net

This caption consists of:

	2004	2003
INCOME:		
Interest income	843	11,356
Gain in group companies (Note 5)	130,377	198,311
Equity investment income	-	4,516
Foreign exchange gain	34	12,923
Other financial income	-	1
	131,254	227,107
EXPENSES:		
Interest expense	890	13,978
Loss in group companies (Note 5)	3	2,523
Foreign exchange loss	666	19,532
Other financial expenses	434	646
	1,993	36,679
NET FINANCIAL INCOME	**129,261**	**190,428**

18. Extraordinary items, net

This caption consists of:

	2004	2003
EXTRAORDINARY INCOME:		
Decrease in amortisation and provisions (Note 12)	106	643
Debt recovery	3	-
Prior year adjustments	-	18
Gain on the sale of fixed assets	69,485	-
Other extraordinary income	1	185
	69,595	846
EXTRAORDINARY EXPENSES:		
Donations	3	125
Uncollectible debts	-	531
Loss on the disposal of fixed assets	2,085	362
Increase in amortisation and provisions	1,000	-
Prior year adjustments	19	45
Other extraordinary expenses	1,695	2
	4,802	1,065
NET EXTRAORDINARY ITEMS	**64,793**	**(219)**

19. Guarantees

At 31 December 2004 the Company had outstanding letters of guarantee and bank guarantees given to third parties totalling 128,918 thousand of euros.

20. Commitments

Retirement pension benefits and medical benefits

As explained in Note 2, some Group companies have supplementary retirement and health care plans for their employees. The liability under these plans is reflected in the financial statements as of 31 December 2004 in accordance with the applicable accounting standards.

The past service liability relating to current and retired employees as of 31 December 2004 amounted to 92,563 thousand euros, of which 72,892 thousand euros was covered by pension funds established for the purpose.

The unfunded amount of 19,671 thousand euros is recorded as a liability by the respective companies.

As a result of applying the equity method of accounting, the effect of these plans is reflected in the Company's financial statements in the captions financial income, net, and investments.

Other commitments – investments and services

Some of the Group companies have financial commitments under contracts to acquire property, plant and equipment and inventories, of which 35,692 thousand euros is for the Portuguese business area, 3,172 thousand euros for the Egyptian business area, 3,172 thousand euros for the Spanish business area and 5,449 thousand euros for the Moroccan business area.

On 31 January 2004 a contract to render administrative, financial, accounting and human resources services was entered into between the Company and Cimpor Serviços, S.A.. The contract involves an annual commitment of 600 thousand euros.

In accordance with Portuguese Commercial Company Law, Cimpor – Cimentos de Portugal, SGPS, S.A. has a joint and several liability for the liabilities of its fully controlled subsidiaries.

Other commitments – comfort letters

Comfort letters relating to group companies, given to third parties, are as follows:

Cimpor Inversiones, S.A.	344,710
Cimentos de Moçambique, S.A.R.L.	8,869
Ciarga – Argamassas Secas, S.A.	1,875
Companhia de Cimentos do Brasil	27,333
Imopar, SARL	2,832
Societé les Ciments de Jbel Oust, S.A.	753
Companhia de Cimentos Atol	136
Amreyah Cement Company, S.A.E.	30,803
Amreyah Cimpor Cement, S.A.E.	22,489
Cimpor Egypt Cement, S.A.E.	1,039
	440,839

21. Stock option plans

At the Shareholders' General Meeting held on 14 May 2004 an *Employee Stock Acquisition Plan* and a *Cimpor Shares Stock Option Plan* were approved.

The Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, S.A., is responsible for granting the benefits under the *Employee Stock Acquisition Plan*, other than to its own members, in which case the benefits are granted by the Remuneration Committee.

The beneficiaries are granted the right to acquire shares at a price equal to seventy-five percent of the closing price on the day the transaction is carried out, up to a maximum not exceed half of his/her monthly gross base remuneration.

In the case of the *Cimpor Shares Stock Option Plan* the options, which are granted by the Bodies referred to in the preceding paragraph, consist of the right to acquire Cimpor shares (initial options), at a price not lower than seventy-five percent of the average of the closing prices on the sixty stock market sessions preceding that date. For each option exercised, the beneficiary is granted the option to acquire one new share (derived options), at the same price, in each of the following three years.

The options exercised during the year ended 31 December 2004 were as follows:

Plan	Number of Shares	Unit price	Date
Stock Option Plan - derived options - 2002 series	6,200	3.70	31 March
Stock Option Plan - derived options - 2003 series	182,650	2.84	25 March
Stock Option Plan - 2004 series	266,000	3.20	28 May
Employee Stock Acquisition Plan - year 2004	133,755	3.28	17 May
	588,605		

22. Non compliance with the principle of consistency in the consolidation

In its risk management policy the Company has contracted several financial instruments, as explained in the Directors' Report and Notes to the financial statements of preceding years.

Up to 31 December 2003, as there were no specific accounting standards for derivative financial instruments in Portugal, the Company only recorded the effect of derivative financial instruments in its consolidated financial statements when financial flows took place, deferring, where applicable, the premiums received or paid over the period of the operations. In addition, the Company disclosed the fair value of such instruments in the Notes to the consolidated financial statements.

Considering the approaching date for transition to International Financial Reporting Standards (IFRS) and the requirements of Portuguese Accounting Directive 18, the Board of Directors decided to adopt, as from 1 January 2004, the provisions of IAS 39 as regards the recognition and measurement of its derivative financial instruments, as it considered that, although this was not consistent with the accounting principle previously adopted, the change would result in a more adequate presentation of the Group's financial position and results of operations and would be an approximation to International Financial Reporting Standards.

As regards the valuation of equity investments in participated companies over which the Group does not have control or significant influence, as well as the valuation of investments in negotiable securities, in both cases in securities listed on stock exchanges, the Company already used the procedures established in IAS 39, to value these investments at market value.

The adoption of the provisions of IAS 39 to record investments and derivative financial instruments of the Company and its subsidiary and affiliated companies had the following impact, both direct and through application of the equity method of accounting, on the financial statements for the year ended 31 December 2004:

	Results	Adjustments in equity investments	Retained earnings
Investments	7,222	(52,356)	-
Prepaid expenses	-	-	330
Deferred tax	-	-	(91)
	7,222	**(52,356)**	**239**

23. Subsequent events

The more significant events that occurred after 31 December 2004 are described in the Directors' Report.

24. Note added for translation

The accompanying financial statements are a reformatted translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal and the disclosures required by the Portuguese Official Chart of Accounts, some of which may not conform with or be required by generally accepted accounting principles in other countries. In the event of discrepancies the Portuguese language version prevails.

HOLDING ANNUAL REPORT

Report and Opinion by the Audit Committee

Statutory Auditor's Report and Auditor's Report

CIMPOR

Report and Opinion by the Audit Committee

On Individual Statements for 2004

(Translation of a report originally issued in Portuguese – Note 24)

Dear Shareholders,

In compliance with the applicable legislation and with the articles of association of CIMPOR – Cimentos de Portugal, SGPS, S.A. ("Company") and the mandate under which we were appointed, the Audit Committee hereby submits its report on its work and issues its opinion on the financial statements in respect to 2004, submitted by the Board of Directors for appraisal.

The Audit Committee monitored the Company's activity and business, especially through an appraisal of the documents, accounting records, support documentation and minutes of meetings held by the Board of Directors and the Executive Committee, and through consultation and analysis of other documentation, with a view to assessing compliance with the provisions of the law and of the articles of association. The Audit Committee also carried out tests and other procedures in such depth as it deemed necessary under the circumstances. It also maintained regular contacts with the Board of Directors and with the Company's various managers, having obtained such information and clarification as were deemed necessary.

In accordance with our duties, we analysed the Annual Report by the Board of Directors and determined that it meets the legal requirements. We also analysed the accounts for the year ending on 31 December 2004, which comprise the balance sheet, the profit and loss statements by nature and by function of expense, the cash flow statements and the corresponding annex as drafted by the Board of Directors. We also focussed on the accounting principles applied to prepare the said statements and the respective compliance with the accounting principles generally accepted in Portugal, as well as the compliance with the law and with the articles of association.

The results application proposal submitted by the Board of Directors is in accordance with the applicable law and articles of association and shows the amount available for distribution.

The Audit Committee analysed the report issued by the Chartered Accountant, within the terms of no. 2 of article 451 of the Companies Code, and the Legal Certification of Accounts and the Audit Report, with which it is in agreement.

Consequently, we are of the opinion that the aforementioned financial statements and the results application proposal comply with the provisions of the law and of the articles of association and fulfil the requirements for approval by the shareholders.

The Audit Committee would like to thank the Board of Directors and other personnel at CIMPOR – Cimentos de Portugal, SGPS, S.A. for their cooperation.

Lisbon, 8 April 2005

Ricardo José Minotti da Cruz Filipe
Chairman

Deloitte & Associados, SROC S.A.
Represented by Carlos Pereira Freire
Member

José da Conceição da Silva Gaspar
Member

Statutory Auditor's Report and Auditor's Report

(Translation of a report originally issued in Portuguese – Note 24)

Introduction

1.

In compliance with the applicable legislation, we hereby present our Legal Certification of Accounts and Auditors' Report on the financial information contained in the Directors' Report and the accompanying financial statements of Cimpor – Cimentos de Portugal, SGPS, S.A. ("the Company") for the year ended 31 December 2004, which comprise the balance sheet as of 31 December 2004, which reflects a total of 1,085,523 thousand Euros and shareholders' equity of 970,352 thousand Euros, including a net profit of 185,909 thousand Euros, the statements of profit and loss by nature and by functions and the statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2.

The Company's Board of Directors is responsible for: (i) the preparation of financial statements which present a true and fair view of the financial position of the Company, the results of its operations and its cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and maintenance of an appropriate system of internal control; and (iv) the disclosure of any significant facts that have influenced its operations, financial position or results of operations.

3.

Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verification that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4.

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 financial statements are free of material misstatement. Our examination included verifying, on a test 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. Our examination also included: assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept; assessing the adequacy of the overall presentation of the financial statements, and assessing that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit. Our examination also included verifying that the information included in the Directors' Report is consistent with the other accounting documents. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5.

In our opinion, the financial statements referred to in paragraph 1 above, present fairly, in all material respects for the purposes referred to in paragraph 6 below, the financial position of Cimpor – Cimentos de Portugal, SGPS, S.A. as of 31 December 2004 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal which, except for the changes explained in Note 7 below, were applied on a basis consistent with that of the preceding year, and the financial information contained therein is, in terms of the definitions included in the auditing standards referred to in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

Emphasis

6.

The financial statements referred to in paragraph 1 above refer to the Company on an individual non-consolidated basis and were prepared for approval and publication in accordance with current legislation. As explained in Note 3.c) to the financial statements investments in subsidiary and affiliated companies are recorded in accordance with the equity method of accounting. In accordance with current legislation the Company has prepared separate consolidated financial statements for approval and publication.

7.

As explained in Note 2 to the financial statements as of 31 December 2004, the Company adopted, as from 1 January 2004, the provisions of International Accounting Standard 39 as regards the recognition and measurement of derivative financial instruments contracted directly by the Company or through its subsidiary and affiliated companies and the recording of hedging operations. As a result of adopting that standard, the caption adjustments in equity investments was decreased by 52,356 thousand Euros, resulting essentially from the effect relating to prior years of measuring such financial instruments, and the result for the year ended 31 December 2004 was increased by 7,222 thousand Euros.

Lisbon, 8 April 2005

Deloitte & Associados, SROC S.A.

Represented by Carlos Pereira Freire

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CIMPOR – CIMENTOS DE PORTUGAL, SGPS, S.A.
Public Company
Rua Alexandre Herculano, 35
1250-009 Lisbon

www.cimpor.pt