# Annual Report 2005

CIMPOR
CIMENTOS DE PORTUGAL
SGPS, S.A.

# Annual Report Consolidated
## 2005

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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 23.9 million tons/year (cement production with own clinker) at the end of 2005. CIMPOR operates in nine countries (besides Angola where the Group acquired a 49% shareholding in Angola's leading cement company at the end of 2004). CIMPOR is the national market leader in Portugal, Cape Verde and Mozambique, and regional leader in Morocco (Rabat), Egypt (Alexandria) and South Africa (KwaZulu-Natal). It holds 2nd, 3rd and 5th positions in the Tunisia, Brazil and Spain, respectively.

Cement is the Group's core business. Concrete, Aggregates and Mortars are produced and commercialized in a vertical business integration process through which consolidated turnover reached 1,535 million euros in 2005.

## STRATEGIC VISION

The CIMPOR Group, as a pioneer in the concept of Sustainable Development and one of the world's main players in the movement towards consolidation of the sector, intends to pursue a path of growth and internationalization whilst remaining loyal to that concept and independent of other large cement producers, and keeping its decision centre in Portugal.

## VALUES

- Shareholders - To defend their legitimate interests through the intrinsic appreciation of the capital invested in the company and its adequate remuneration.
- Clients - Focus on full satisfaction of clients' expectations, in accordance with the ethical principles of integrity and compliance with the applicable standards.
- Personnel - Fair remuneration for work performed, career advancement opportunities and fairness of treatment.
- Organization - Constant search for excellence through establishing ambitious goals and selecting leaders at all levels who are able to assume responsibility and meet targets.
- Quality - Compliance with national and international standards, particularly regarding Product Certification and the proper functioning 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 the development of technology, products and services in cooperation with the academic and scientific community.
- Local communities - Implement a social assistance policy considering the structural weaknesses and to support social and cultural activities
- Society in General - Maintain Communication and Social Responsibility policies that ensure total transparency regarding the Group's activities and show the Group's commitment to citizenship which it proactively pursues.

## STRATEGY

- To consolidate current positions through internal growth (increased efficiency and capacity) and greater penetration in the markets where the Group already operates (through expansion to activities relating to the cement line (e.g. ready mix concrete and operation of quarries)).
- To make new acquisitions within the Group's financial capacity, while maintaining a balance between operations focused on the emerging markets and operations in the consolidated and mature markets where lower growth potential is offset by lower risk.
- To optimize operations by taking advantage of synergies, cost cutting (particularly energy costs), higher personnel productivity and investment in R&D.
- To develop trading within the Group companies so as to balance demand peaks in certain markets with supply surpluses in other areas.

# Key Financials

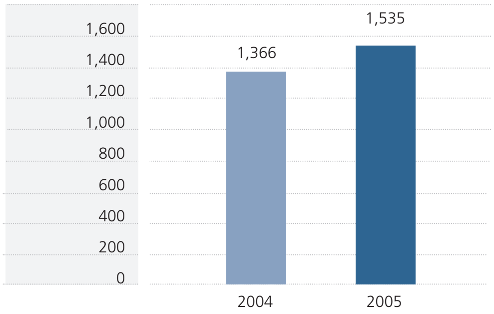
| Consolidaded Data | Unit | 2005 (IFRS) | 2004 (IFRS) | Change | 2004 (PGAAP) |
|---|---|---|---|---|---|
| Installed Capacity (Cement) (1) | $10^3$ ton | 23,885 | 23,355 | 2.3 % | |
| Group Sales | | | | | |
| Cement | $10^3$ ton | 19,806 | 18,641 | 6.2 % | |
| Concrete | $10^3$ $m^3$ | 7,059 | 6,673 | 5.8 % | |
| Aggregates | $10^3$ ton | 13,228 | 11,897 | 11.2 % | |
| Mortar | $10^3$ ton | 477 | 490 | -2.6 % | |
| Turnover | $10^6$ euros | 1,534.9 | 1,365.6 | 12.4 % | 1,365.6 |
| Payroll expenses | $10^6$ euros | 169.0 | 159.6 | 5.9 % | 155.2 |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 495.8 | 451.9 | 9.7 % | 458.7 |
| Operating Income (EBIT) | $10^6$ euros | 355.4 | 323.4 | 9.9 % | 248.2 |
| Financial Income (net) | $10^6$ euros | -3.3 | -6.7 | s.s. | -6.5 |
| Current Income | $10^6$ euros | 352.2 | 316.7 | 11.2 % | 235.9 |
| Net income after Minority Interests | $10^6$ euros | 266.2 | 256.1 | 3.9 % | 185.9 |
| Total Assets | $10^6$ euros | 3,805.4 | 3,411.5 | 11.5 % | 3,174.5 |
| Shareholder's equity | $10^6$ euros | 1,519.1 | 1,159.2 | 31.0 % | 970.4 |
| Minority Interests | $10^6$ euros | 65.5 | 63.7 | 2.9 % | 76.3 |
| Net Financial Debt (2) | $10^6$ euros | 1,079.4 | 1,312.3 | -17.7 % | 1,316.8 |
| Capital Employed | $10^6$ euros | 2,600.9 | 2,335.3 | 11.4 % | 2,059.9 |
| Employees (31 Dec) | units | 5,827 | 5,706 | 2.1 % | 5,706 |
| Turnover / Employee | $10^3$ euros | 265.1 | 242.1 | 9.5 % | 242.1 |
| Value Added / Employee | $10^3$ euros | 114.8 | 108.4 | 5.9 % | 108.8 |
| Net Investment | | | | | |
| Goodwill (subsidiaries) | $10^6$ euros | 11.2 | 20.0 | -43.8 % | 20.0 |
| Tangible Fixed Assets | $10^6$ euros | 149.0 | 173.3 | -14.0 % | 170.6 |
| Operatingl CF / Turnover (EBITDA Margin) | | 32.3% | 33.1% | | 33.6% |
| Operating Income /Turnover (EBIT Margin) | | 23.2% | 23.7% | | 18.2% |
| Return on Equity (ROE) | | 19.9% | 23.6% | | 19.3% |
| Return on Capital Employed (ROCE) (3) | | 12.1% | 12.2% | | 13.0% |
| Net Financial Debt / Capital Employed | | 41.5% | 56.2% | | 63.9% |
| Market Capitalization (31 Dec) | $10^6$ euros | 3.125 | 2,789 | 12.0 % | 2,789 |
| Income per Share (EPS) | euros | 0.40 | 0.38 | 3.8 % | 0.28 |
| Quotation (31 Dec) / Price Earnings Ratio (PER) | | 11.7 | 10.8 | | 14.9 |

(1) Annual capacity of cement production with own clinker (31 Dec).

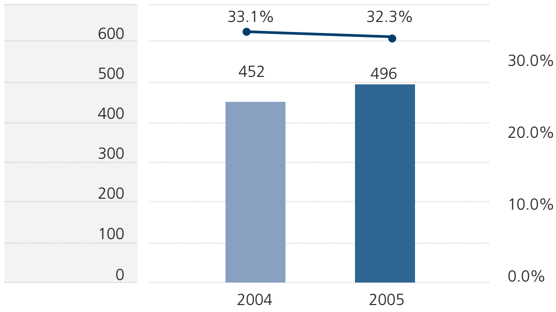
(2) Loans granted (including Leasings and Added Costs resulting from Financial Debt) - Liquid assets and Tradeable Shares.

(3) Corrected Operating Income (net of Taxes) / Capital Employed.

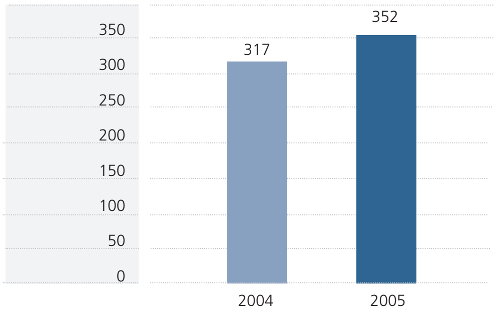
Turnover $10^6$ euros



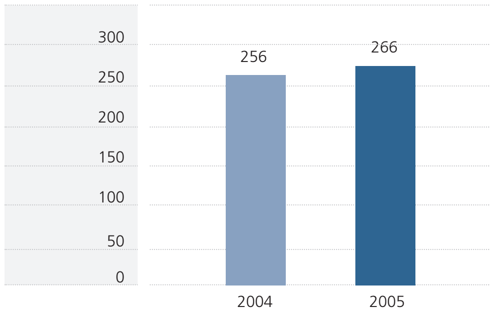

EBITDA / EBITDA Margin $10^6$ euros



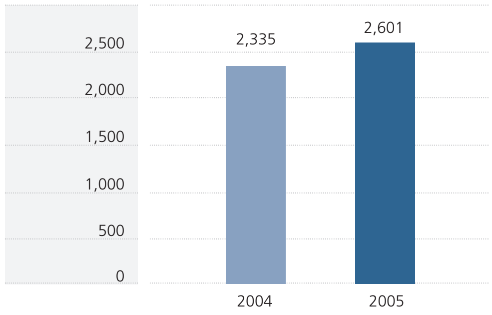

Pre Tax Income $10^6$ euros



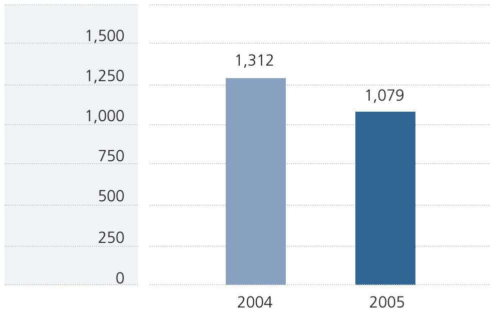

Net Income after Minority Interests $10^6$ euros



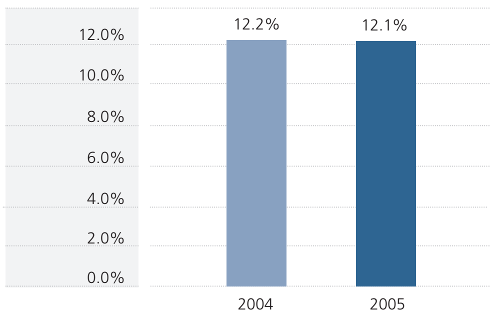

Capital Employed $10^6$ euros



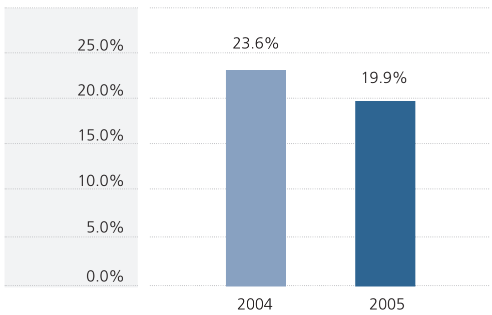

Net Financial Debt $10^6$ euros




Return on Capital Employed (ROCE)




Return on Equity (ROE)



# Corporate Highlights in 2005

- The CIMPOR - Cimentos de Portugal, SGPS, S.A. Annual General Meeting was held on 27th April 2005. All proposals submitted by the Board were approved including the proposal to remove the provisions establishing limitations on the exercise of shareholders' voting rights. Members of the governing bodies and the Remunerations Committee were elected for a four year term 2005/2008.

- Extension of the SAP/R3 management software to the Morocco, Brazil and South Africa Business Areas.

## Portugal

- Sale of CIMPOR Portugal, SGPS, S.A.'s participation (around 20%) in Semapa - -Sociedade de Investimentos e Gestão, SGPS, S.A. for approximately 144 million euros.
- Sale of of Betão Liz, S.A.'s shareholding (100%) in Jobrita - Indústrias Extractivas, S.A., for approximately 2.8 million euros.
- Opening and maintenance of accounts in the Portuguese Emission Trading Register (RPLE), concerning $CO_2$ emission allowances.
- Subscription for and subsequent payment by CIMPOR - Indústria de Cimentos, S.A. of its proportional share (48%) in the capital increase, from 100 million to 200 million euros, of C+PA - Cimento e Produtos Associados, S.A..
- Start-up of a new paper bag production line at Sacopor - Sociedade de Embalagens e Sacos de Papel, S.A..
- Incorporation by merger of TPA - Transportes de Santo André, Lda., into Transviária - - Gestão de Transportes, S.A..
- Obtained EU EMAS (Eco-Management and Audit Scheme) registration for the Loulé and Alhandra Production Centres.
- Transfer of the head office of Scanang Holding, Limited, which is fully owned by CIMPOR - Indústria de Cimentos, S.A., from Gibraltar to Funchal, and change of the name to Scanang, SGPS, Unipessoal, Lda..

## Spain

- Setting up of Prebetong Lugo Hormigones, S.A., with the spin-off from Prebetong Lugo, S.A. of all the assets related to the production and sale of ready mix concrete and dry mortar.
- 15 year extension of the Marin port concession attributed to Silos de Galícia, S.A..

- Share capital increase of Morteros de Galícia, S.L., from 3,100 euros to 2,511,000 euros.
- Increase in the share capital of Materiales del Atlántico, S.A., through the issuance of 677 new shares with a nominal value of 1,000 euros each, at the price of 5,100 euros per share, fully subscribed for by Sociedad Industrial y Financiera Gallega, S.L., resulting in an increase of the latter's participation from 54.15% to 58.8%.
- Acquisition, through Corporación Noroeste, S.A., for the amount of 660 thousand euros, of all the share capital of Tabanque, S.L., holder of a participation of approximately 9% in the share capital of Materiales del Atlántico, S.A., increasing the Group's participation in the latter to approximately 67.8%.
- Corporación Noroeste de Hormigones y Aridos, S.L. increased its participation in Hormigones Mariña, S.L. to 100% and subsequently transferred it to Hormigones Miño, S.L., the former company then being merged into the latter.
- Setting up of the company Cement Trading Activities España - Comércio Internacional, S.A. (previously renamed Scanang Trading Activities - España, S.A.), with share capital of 60,200 euros, held entirely by CIMPOR Inversiones, S.A..
- Conclusion of the works on the Sergude Industrial Complex Urbanization project (Boqueixón, Santiago de Compostela) where Cementos Cosmos, S.A., has a participation of around 92% in the management entity.
- Winding up and liquidation of the company 97-2000 Fivacar, S.L..
- Signing of a commitment to accept a Public Acquisition Offer submitted by Cementos Portland Valderrivas, S.A. to the Spanish Stock Exchange Regulator (Comisión Nacional del Mercado de Valores - CNMV) over 100% of the capital of Cementos Lemona, S.A. (in which Corporación Noroeste, S.A., holds 2,163,116 shares), for 32 euros per share.

## Morocco

- Completion of the works to expand the clinker production capacity of Asment de Témara's factory to 2,800 ton/day. The official opening ceremony of the new installations was attended by the Prime Minister of Morocco.
- Asment de Témara obtained the 2nd National Quality Award (Large Company Category), awarded by Morocco's Ministry of Industry and Commerce.
- Renewal of Asment de Témara's Quality certification in accordance with the ISO 9001:2000 standard, together with receipt of Environmental Management certification in accordance with the ISO 14001:2004 standard.
- Acquisition and lease of land by Betocim for two new ready mix concrete plants.

## Tunisia

- Increase in the share capital of Ciments de Jbel Oust, from TND 76,596,500 to TND 90,834,600, through incorporation of the special investment reserve.
- Completion of the new head office of Ciments de Jbel Oust, which was inaugurated with the presence of Tunisia's Minister of Industry, Energy and Small and Medium Enterprises.
- Pet coke introduced as the main fuel at the Ciments de Jbel Oust plant.
- Integration of the ISO 14001 Security procedures with the ISO 9001:2000 standard, aimed at getting the respective Certificate in 2006.
- Start up of the Occupational Safety Management System (SMS).
- Given an investment incentive by the Tunisian Government under the respective Technological Modernization Plan.

## Egypt

- Increase of 2,660 million Egyptian pounds in the share capital of CIMPOR Egypt for Cement, S.A.E., fully subscribed for and paid up by CIMPOR Inversiones, S.A..
- Setting up of a new company called Amreyah Dekheila Terminal Company, with head office in the port of Dekheila, under the special "Free Zone" regime, with initial capital held entirely by the CIMPOR Group, its activity consisting of logistics operations relating to the import and export of products and materials including their respective storage.
- Contract signed by Cimpsac for the supply and setting up of a production line of paper bags (with an annual production capacity of roughly 45 million bags) and construction of the respective installations and infrastructures.
- Conclusion of repair works on the packing machines and polar clinker storage at Amreyah Cement Company.
- Conclusion of adaptation works of the new sales and administrative installations of the Group's companies in Alexandria.
- Renewal of the Amreyah Cement Company's Environmental and Quality Management certifications in line with the ISO 9001:2000 and ISO 14001 standards, respectively.

## Brazil

- Acquisition of four ready mix concrete plants in the States of Goiânia, Pernambuco, Paraíba and Rio Grande do Norte, with a total production capacity of approximately 146,000 m$^3$/year.

- Increase in CIMPOR Brasil, S.A.'s share capital by 918.5 million reais, subscribed for and paid up entirely by CIMPOR Inversiones, S.A., by transfer of shares of Companhia de Cimentos do Brasil, Companhia de Cimento Atol and Companhia Paraíba de Cimento Portland (Cimepar).
- Acquisition of CIMPOR Inversiones, S.A.'s remaining participations in the above mentioned companies by CIMPOR Brasil, S.A.
- Quality certification ISO 9001:2000 obtained for the ready mix concrete plants of Porto Alegre, São Leopoldo, Caxias do Sul and Passo Fundo, all in the state of Rio Grande do Sul.

## Mozambique

- Increase of the CIMPOR Group's participation in Cimentos de Moçambique, S.A.R.L., from approximately 65.4% to approximately 71.7%.
- Completion of the project to increase Nacala's grinding production capacity (from 340 to 500 ton/day).
- Start of the remodelling work of the cement extraction, transport, packaging and shipping facilities at the Matola cement plant.
- Start of viability study relating to recovery of the former clinker production line (or installation of a new line) in the Dondo region.
- Start up of operations of a new ready mix concrete plant (Xai-Xai).

## South Africa

- Sale of a 26% participation in the aggregates company South Stone Crusher to the National African Women's Alliance (Nawa), under the Black Economic Empowerment process and new legislation relating to the extraction of minerals.
- Natal Portland Cement (NPC) signed a promissory contract to purchase the entire share capital of Sterkspruit Aggregates and Sterkspruit Ready-mix.
- Start of work to install a cement mill (600 thousand ton/year), including packaging and shipping equipment, as well as to build a new clinker production line (1,500 ton/day) at the Simuma plant.
- Maintenance by NPC's three plants (Durban, Simuma and Newcastle) of 5 Star Rating under the National Occupational Safety Association - NOSA - Occupational Hygiene and Safety System.

## Cape Verde

- Acquisition by CIMPOR Inversiones, S.A., of 1all the share capital of Nordicave TradingIndustrial, Lda., holder at the time of a 86.65% participation in Cimentos de Cabo Verde, S.A. (CCV).
- Start of the CIMPOR Group's operations in the Cape Verde Archipelago - import, storage, bagging and shipping of cement - through CCV.




# 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 *
Vicente Árias Mosquera
José Manuel Baptista Fino
José Enrique Freire Arteta

* Executive Committee

## Audit Board

**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

## 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

## Executive Committee

Chairman
Pedro Maria Calaínho Teixeira Duarte

Jean Carlos Angulo
Jorge Manuel Tavares Salavessa Moura
Luís Filipe Sequeira Martins
Manuel Luís Barata de Faria Blanc

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Consolidated **Annual Report**

# Corporate Governance

It has always been a major concern of CIMPOR to deal appropriately with questions related to corporate governance and the periodic disclosure of its policies, positions and solutions to its stakeholders, the financial community, the authorities and the market in general.

In this chapter of its annual report, as in previous years, the Board of Directors presents the more significant aspects of Corporate Governance and the Group, thereby complying with its duty to disclose the information stipulated in Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM) Regulation 7/2001 (with the amendments introduced by CMVM Regulation 11/2003 and very recently by CMVM Regulation 10/2005).

## 0. Declaration of Compliance

CIMPOR has always attached special importance to the adoption of the best organizational models and practices and the most appropriate Corporate Governance guidelines. In doing so, it tries to follow the main international trends and promote a critical reflection on these within the company. This reflection has resulted in a series of contributions to the public debate started in 2005 by CMVM on some proposed amendments to their Regulations 7/2001 and 4/2004, as well as to the respective Recommendations on Corporate Governance of Listed Companies, the most important of these being included in the new normative text.

Due to the importance given to these matters, CIMPOR is currently one of the companies listed on Euronext Lisbon which complies most closely with these Recommendations. Therefore, as regards the new Recommendations published by CMVM following the public consultation process (November 2005), CIMPOR follows in full all the recommendations on:

- 1. Disclosure of information
- 2. Absence of restrictions on the exercise of the right to vote and shareholder representation;
- 3. Existence of an internal control system;
- 4. Absence of defensive measures aimed at preventing the success of Takeover Bids;
- 5. Composition of the Board of Directors ;
- 5-A. Existence of sufficient non-executive members of the Board;
- 6. Existence of sufficient independent non-executive members of the board;
- 7. Existence of an internal audit committee with competence to assess the corporate structure and governance;
- 10. Approval of plans for the allotment of shares and/or options to purchase shares to members of the board of directors and/or employees;
- 10-A. Adoption of a policy for the reporting of irregularities.

Recommendation 8, on remuneration of the members of the Board, is complied with in full as regards the structure of this remuneration enabling the interests of the Board members to be in line with those of the company. However, this is not the case as regards disclosure of annual remuneration in individual terms.

The final part of recommendation 8 has not been complied with due mainly to the understanding that the shareholders, by opting, under the terms of item 1, article 399 of the Company Code (Código das Sociedades Comerciais) and item 2, article 17 of the Articles of Association, to appoint a committee for the purpose of fixing the remuneration of the Board members instead of this being defined in the Shareholders' General Meeting, did this with an objective that, implying some reservation, is incompatible with public disclosure of the individual remuneration. Furthermore, as in accordance with Portuguese law the shareholders are sovereign on this matter, they can decide differently, if they should consider that not enough information is being made available, and apply the provisions of item 5, chapter IV of the Appendix to CMVM Regulation 7/2001.

As regards recommendation 8A, relating to appraisal by the Shareholders' Annual General Meeting of a declaration on the remuneration policy of the company's corporate bodies, this can only start being complied with at the next Shareholders' General Meeting when the present report will the considered, and if the Remuneration Committee understands that it should submit such a declaration.

Lastly, with regard recommendation 9 that all the members of the Remuneration Committee be independent as regards the members of the Board of Directors, this has not been entirely complied with because, in accordance with paragraph 9, Chapter I of the Appendix to CMVM Regulation 7/2001, one member of that Committee is considered not to be independent of one of the Board members. However, it is understood that any conflict of interests problems that might arise are adequately safeguarded as this person is in a minority position within this Committee.

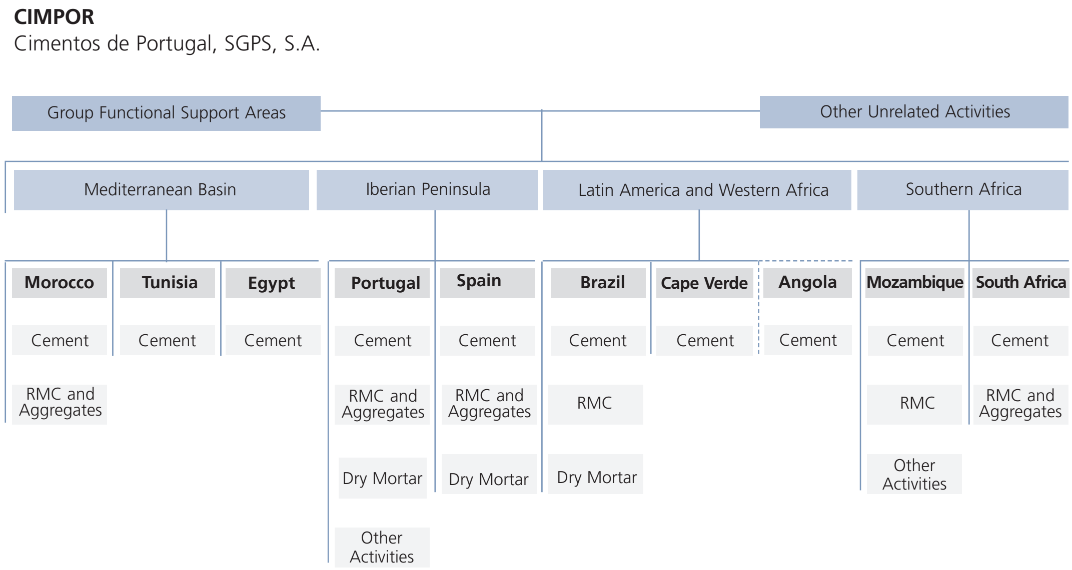
# 1. Disclosure of Information

## 1.1. Organisational Structure

### 1.1.1. The CIMPOR Group

The CIMPOR Group is structured by Business Areas, which correspond to the countries in which the Group operates or has a minority interest. The Business Areas are, in turn, grouped in major regions: (i) the Iberian Peninsula; (ii) the Mediterranean Basin; (iii) Latin America and Western Africa; and (iv) Southern Africa. The various activities within each area are organised by product; the core business is the production and sale of cement.

As holding company for the Group, CIMPOR- Cimentos de Portugal, SGPS, S.A. is responsible for its strategic development - as regards the whole internationalisation process - and for overall management of the different Business Areas, ensuring coordination of the financial, technical, human and other resources in line with the criteria and guidelines laid down in the five year Strategic Plan, which is revised and approved annually by the Board of Directors in accordance with the Group's main goals.




CIMPOR Portugal, SGPS, S.A. is responsible for in-depth monitoring of the management of the different Business Areas in Portugal and CIMPOR Inversiones, S.A., a sub-holding company with head office in Spain, was founded in 2002 to serve as a platform for the Group's international expansion.

Each of the above mentioned regions, except for the Iberian Peninsula (because of the size and diversity of its operations, does not have such a position), has a "zone manager" who is on the Board of Directors of the companies in the respective Business Areas, and reports directly to the Board of Directors of CIMPOR Inversiones, S.A..

The Board of Directors of CIMPOR Inversiones, S.A is made up of three of the five members of the Executive Committee of the Board of Directors of the holding company - Jorge Manuel Tavares Salavessa Moura, Luís Filipe Sequeira Martins and Manuel Luís Barata de Faria Blanc - who are also on the Boards of the sub holding companies responsible for coordination of the Group's activities in Portugal and Spain- CIMPOR Portugal, SGPS, S.A., and Corporación Noroeste, S.A., respectively.

These three members of the Board also have special responsibility, without prejudice to the collective work delegated to the said Executive Committee, for monitoring the different Functional Areas of the Group:

— External Relations and Communication, Legal Matters, Human Resources and Internal Auditing - - Jorge Salavessa Moura, substituted when necessary by Luís Filipe Sequeira Martins;

— Engineering and Technical Support Services to the Group - Luís Filipe Sequeira Martins, substituted when necessary by Jorge Salavessa Moura;

— Corporate Centre, Accounting, Consolidation and Tax and Planning, Control and Information

Systems - Manuel de Faria Blanc, substituted when necessary by Jorge Salavessa Moura.

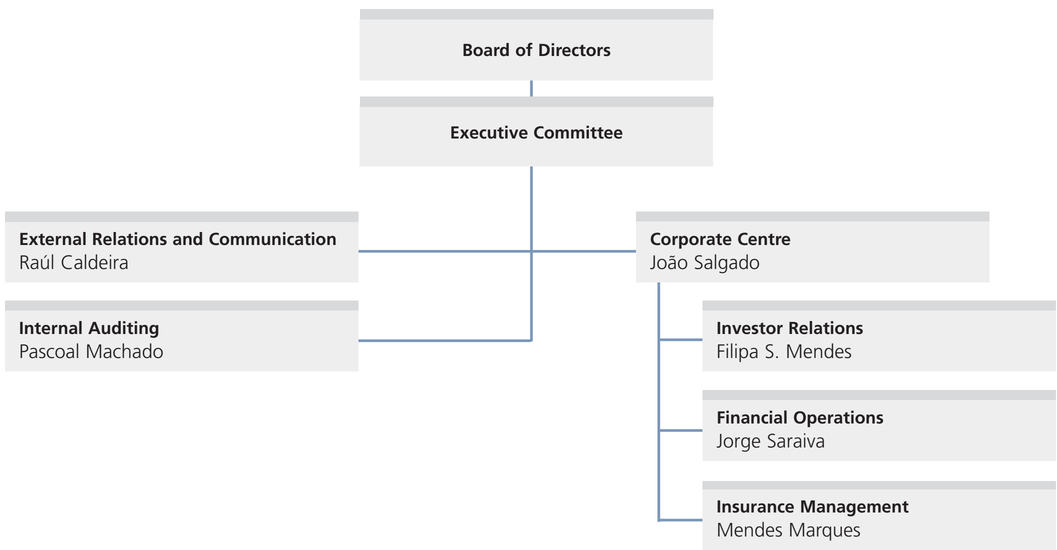
The corporate organisation of each Business Area corresponds to the model considered most suited to each case given the business characteristics and conditions and the country's legal system so as to take advantage of possible synergies and benefit from more favourable financial and tax frameworks.

Each Business Area works on an autonomous management basis, notably in day-to-day and operational management matters, within a plan and control system directed by the holding company, in which the strategic guidelines, business and investment plans and targets and annual budgets are defined through participation and interaction, and are subject to periodic review and control. It is intended that each Business Area is managed by local nationals and by other Group personnel so as to provide multicultural management.

In companies that are directly or indirectly dependent on CIMPOR - Cimentos de Portugal, SGPS, S.A., the more important decisions - e.g. those that exceed specific amounts or with greater impact on profit or on the Group's strategic development - must be approved or ratified by the Board of the holding company. This also applies to decisions or actions that, when dealt with at Group level, enable significant synergies to be generated.

### 1.1.2. CIMPOR Holding

In order to carry out its role adequately, CIMPOR - Cimentos de Portugal, SGPS, S.A. has functional structures supporting the Group's management and in each Business Area, as shown in the following diagram.



The Corporate Centre has the following main functions: (i) contributes to execution of the Group's international development strategy, ensuring the procedures leading to the acquisition of companies in the different markets to which the group intends to expand its operations; (ii) ensures, through the Investor Relations Office, regular communication with players in the capital market, namely shareholders, supervisors and other public authorities, financial analysts and fund managers and other collective investment bodies; (iii) in the Financial Operations area, ensures, under the best conditions, access to the financial resources necessary for the Group's expansion and its day-to-day operation; and (iv) ensures, through its Insurance Management Department, management and control of the Group's asset risks.

The External Relations and Communication Department ensures implementation of the Group's communication and image policies.

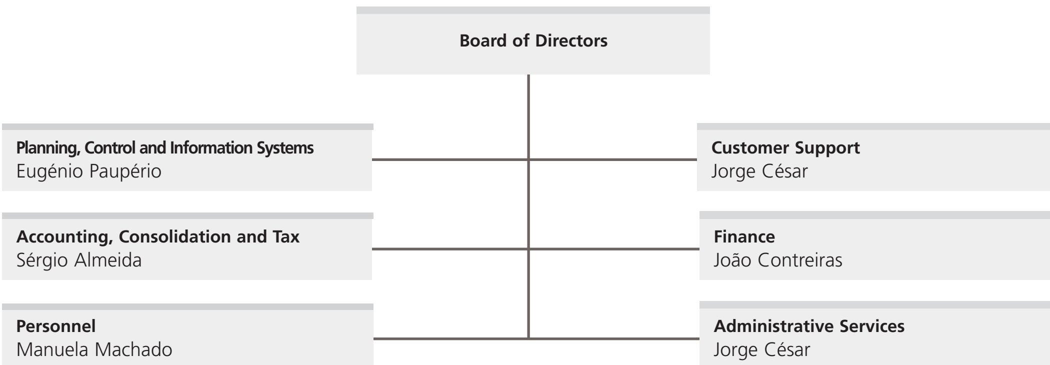
The Internal Audit Department is responsible for conducting and coordinating financial, asset and operational audits throughout the Group by examining and evaluating the adequacy and effectiveness of the internal control systems and the quality of their functioning.

### 1.1.3. Shared Services

Harmonisation and standardisation of processes and practices which enable Group culture to be enhanced and the quality, flow and reliability of decision making information to be improved have long been an important pillar in the overall policy of the CIMPOR Group.

In the beginning of 2004, after the “Shared Services” company - “CIMPOR - Serviços de Apoio à Gestão de Empresas, S.A. (CIMPOR Serviços) - was founded, a series of non core processes/functions, which had until then been dispersed throughout the Group holding company, CIMPOR Portugal sub-holding company and the operating companies themselves, were transferred to it.

CIMPOR Services provides management, consultancy and advisory services to all companies in the Group, in particular those with head offices in Portugal. Its current organisational structure is shown in the following diagram.



The Planning, Control and Information Systems Department coordinates and executes the whole process for preparing and controlling the plans and budgets of the different Business Areas and companies with head offices in Portugal, as well as the management and development of the Group's information systems and technology.

The Accounting, Consolidation and Tax Department is responsible for: (i) promoting and carrying out the whole financial consolidation process; (ii) defining the Group's accounting principles and policies as well as coordinating and supporting their implementation; (iii) preparing and performing the accounting function of the companies with head offices in Portugal; and (iv) carrying out the Group's tax planning and ensuring that these companies comply fully with their tax obligations.

The Personnel Department implements the Group's Human Resources policy in Portugal, with the objective of making best use of the competencies available and developing these resources so as to maximise employee performance and contribute to their personal and professional fulfilment. The Department is also responsible, in the case of service contracts with Group companies with head offices in Portugal, for managing their personnel function.

Also under these contracts, the Financial Department provides the companies with services relating to their respective receivables, payables and treasury processes and monitors and controls their financial management.

The Administrative Services Department manages the physical spaces belonging to the Group with head offices in Lisbon (Rua Alexandre Herculano and Prior Velho), provides them with administrative support in the purchasing and stationery, travel and lodging, communications and filing areas and advisory services on organisational development.

The mission of the Customer Support Department is to ensure liaison between these departments of the Shared Services Centre and the companies it serves - furthering continued improvement in the quality of services rendered and increased satisfaction of the client companies - as well as to provide the corporate bodies with the necessary support on legal matters.

### 1.1.4. CIMPOR TEC

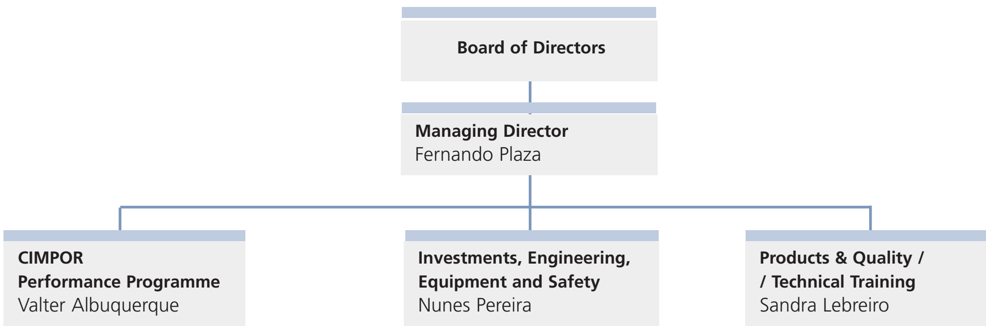
The need to strengthen the Group's technical and technological culture led to the decision of the Board of Directors, at the end of 2004, to transfer the Technical and Industrial Development Centre of the holding company and the Central Laboratory of CIMPOR - Indústria de Cimentos, S.A. to CIMPOR TEC - Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A. which was founded on 1st January 2005, with the following mission:

- To provide technical and technological assistance to the Group companies Group, especially those in the cement sector with a view to improving their operating performance while within the principles of Sustainable Development;

- To ensure technical and financial excellence of the Group's industrial investments in that sector;
- To promote new initiatives common to all the Group companies, especially personnel training, with a view to achieving technical progress in cement production and sale;
- To provide technical advice on assessing the financial aspects and opportunities of acquiring cement producing assets and defining the targets to be achieved;
- To ensure that all the Group's companies are aware of, and use, the know-how available in each company or that which may be accessed externally.

The company's initial organisation covers three major segments of activity, as shown in 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 health and safety; and
- *Products & Quality / Technical Training,* which, in addition to these areas, includes the Central Laboratory and R&D.



## 1.2. Board of Director's In-house Corporate Governance and Social Responsibility Advisory Committee

In response to international corporate governance best practices, at the start of 2002 an Internal Consultative Commission was formed within the Board of Directors with the mission of studying, drafting reports and advising the Board on in-house standards and procedures covering the development and improvement of principles and practices of company conduct and governance, including aspects related to the functioning and internal relationship of the Board itself and the prevention of conflicts of interest and information discipline.

In 2005, the Board of Directors decided to broaden the scope of the matters to be covered, to include matters relating to the Group's social responsibility, and changed the committee's name to the "Board of Director's In-house Corporate Governance and Social Responsibility Advisory Committee".

The Committee comprises at least three directors (a majority of whom must be non-executive and independent) and is currently formed by:

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

The first two of these are independent, non-executive directors (under the terms of item 2, article 1 of CMVM Regulation 7/2001).

The Committee meets whenever necessary and, in principle, at least once every six months and has permanent access to external consultants in different areas at the company's expense.

In 2005 the Committee met four times. It analysed CIMPOR's position in the light of a study - "Corporate Government in Europe: What's the Outlook?" - made by the international consultants Heidrick & Struggles. It stimulated the development of the Group's 2nd Sustainability Report (published in 2006) and wrote a Code of Ethics which was approved and published by the Board of Directors.

## 1.3. Risk Control System

Risk management in the CIMPOR Group begins with the main operating companies through identification, measurement and analysis of the different risks to which they are subject. Particular emphasis is given to operating and market risk (business-volume risk), estimates being made of the probability of the occurrence of various factors underlying the risks and their potential impact on the company's business or of the activity in question.

The operating managers are also responsible for designing and implementing the most suitable risk control mechanisms. The efficiency of the mechanisms is assessed periodically by the holding company, through the Internal Audit Office under its annual audit plan, covering financial audit, information systems, processes and conformity with the approved procedures.

The main goal of the holding company is to obtain an overall picture of the risks faced by the Group in each of its different activities and Business Areas and to ensure that the resulting risk profile is consistent with the Group's global strategy, especially as regards the acceptable level of risk given its capital structure. That is, in accordance with the policy defined by the Board of Directors: to reconcile the constant search for business opportunities that can make a positive contribution to the value creation process within a risk level that, in terms of long term rating, does not jeopardize CIMPOR's current investment grade rating.

The Directors' Report includes a chapter describing the policies followed in terms of financial and asset risk management, in the case of the holding company, by Corporate Centre (see paragraph 6.2. of Chapter II in the Report). As regards the more general financial risks not subject to specific coverage, the Group's policy focuses on geographical diversification of its expansion investments, so as to balance CIMPOR's presence in mature and emerging markets and maintain business operations at different levels of development. In this way, not only the targets for potential acquisition are defined taking into account the need to maintain a balanced and geographically diverse business portfolio, but the assets to be acquired are valued individually, incorporating the appropriate risk premium considering the situation of each business and each country.

## 1.4. CIMPOR in the Stock Market

### 1.4.1. Share Performance on the Stock Exchange

In 2005 the European and Asian stock markets, which closed at their highest levels in five years, had a clearly positive performance in contrast with the North American Stock Market where growth was not so marked. In Portugal, in spite of the poor performance of the national economy, the main stock market index (PSI20) had a two-digit rise (13.4%) for the third consecutive year. However, this was well below the increase (23.2%) achieved by the main European reference index (Euronext 100).

In terms of liquidity, the Lisbon Stock Exchange reached its maximum since 2000, with transactions totalling 31,400 million euros (13% up on the previous year). CIMPOR followed this trend with nearly 230 million shares traded, totalling almost 1,030 million euros - an increase of roughly 10% on 2004, which keeps CIMPOR in sixth place in the ranking of this indicator on Euronext Lisbon.

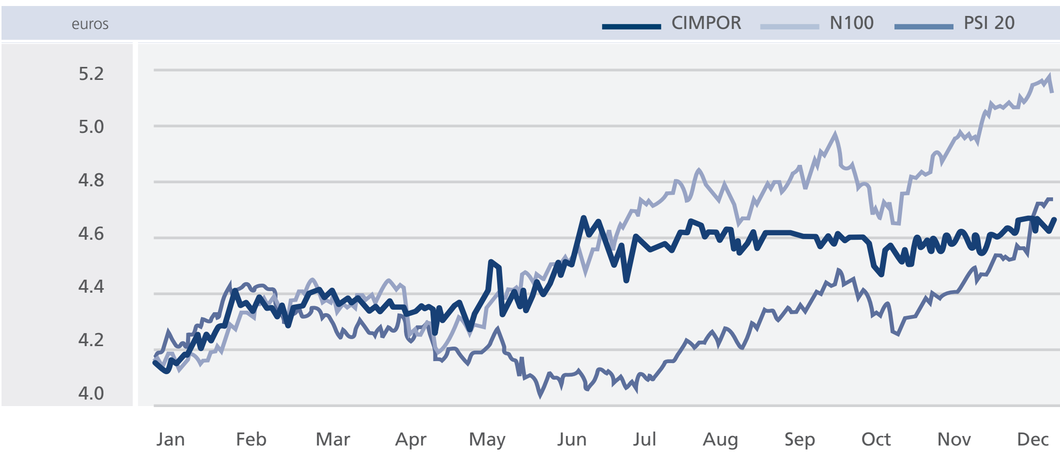
### Characteristics of CIMPOR Securities

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

During the year the share price fluctuated between a minimum of 4.11 euros on 5th January, and a maximum of 4.66 euros on 24th June. CIMPOR's closing price on 31st December - 4.65 euros - - represented an increase in the price of the shares in 2005 of approximately 12%.

The dividend for 2004 was paid on 27th May. The gross dividend amounted to 0.18 euros/share (in net terms, 0.1665 euros for shareholders resident in Portugal and 0.1575 euros for non-resident investors) representing an increase of 5.9% on the dividend declared in the previous year, with a gross dividend yield of approximately 4% on the dividend payment date.

### Evolution of the CIMPOR share price




Considering the share price increase and the total dividends distributed since 1994 when the shares were first listed, the average annual return on CIMPOR shares reached nearly 13.6% at the end of 2005.

| | 2005 | 2004(1) |
|---|---|---|
| Share Capital ($10^3$ euros) | 672,000 | 672,000 |
| Number of shares (2) | | |
| Total | 672,000,000 | 672,000,000 |
| Own shares | 3,867,300 | 4,751,960 |
| Share price (euros) | | |
| Maximum | 4.66 | 4.48 |
| Minimum | 4.11 | 3.87 |
| Year end | 4.65 | 4.15 |
| Market capitalization ($10^3$ euros) (2) | 3,124,800 | 2,788,800 |
| Gross dividend / share (euros) (3) | 0.19 | 0.18 |
| Dividend yield (3) (4) | 4.09% | 4.34% |
| Net income after M.I. ($10^3$ euros) | 266,159 | 256,150 |
| Payout ratio (3) | 48.0% | 47.2% |
| Transactions | | |
| By volume (1,000 shares) | 229,279 | 223,208 |
| By value ($10^6$ euros) | 1,028 | 938 |
| Market share | 3.3% | 3.4% |
| Annual Evolution | | |
| Euronext 100 | + 23.7% | + 8.0% |
| PSI 20 | + 13.4% | + 12.6% |
| CIMPOR share | + 12.0% | + 1.2% |

(1) Results based on IFRS
(2) on 31st December
(3) As approved in AGM
(4) Relative to share price at year end.

With the intrinsic increase in the value of the capital invested, together with its adequate remuneration, one of the Group's most important strategic vectors, it was with particular satisfaction that CIMPOR saw its strong commitment to shareholder value creation recognised in 2005 when it was awarded an honourable mention in the Best of European Business initiative, promoted jointly by the Financial Times and Roland Berger Strategy Consultants.

**Corporate Highlights in 2005**

**3rd March** – Signing of a promissory contract to purchase all the share capital of Nordicave Trading Industrial, Lda. (Cape Verde).

**17th March** – Publication of results for 2004.

**23rd March** – Sale of treasury shares corresponding to 0.064% of its share capital, under CIMPOR's Stock Option Plans.

- **1st April** – Acquisition of all the share capital of Nordicave Trading Industrial, Lda., by CIMPOR Inversiones, S.A.. Nordicave's only asset on that date was an 85.65% participation in Cimentos de Cabo Verde, S.A.R.L..
- **7th April** – Announcement of the Board of Directors' proposed dividend.
- **27th April** – Annual General Meeting. Election of members of the corporate bodies and the Remuneration Committee for the four year period 2005/2008 and approval of a proposal to remove the statutory provisions limiting shareholders' voting rights.
- **23rd May** – Announcement of the impact of transition to International Financial Reporting Standards on CIMPOR's consolidated Financial Statements.
- **25th May** – Publication of the results for 1st quarter.
- **27th May** – Dividend paid.
- **1st June** – Announcement of Standard & Poors credit rating: "BBB".
- **26th August** – Publication of the results for 1st half year.
- **31st October** – Sale of CIMPOR Portugal, SGPS S.A.'s participation (20.02%) in Semapa - - Sociedade de Investimentos e Gestão, SGPS, S.A..
- **10th November** – Natal Portland Cement Company (PTY) Limited signed a contract to purchase all the share capital of Sterkspruit Aggregates and Sterkspruit Readymix.
- **23rd November** -Publication of the results for the 3rd quarter.
- **2nd December** - Signing of an agreement between Corporación Noroeste, S.A., and Cementos Portland Valderrivas, S.A., whereby the former agrees to accept the Takeover Bid to be made by the latter for the Spanish company Cementos Lemona, S.A..

### 1.4.2. Treasury Shares

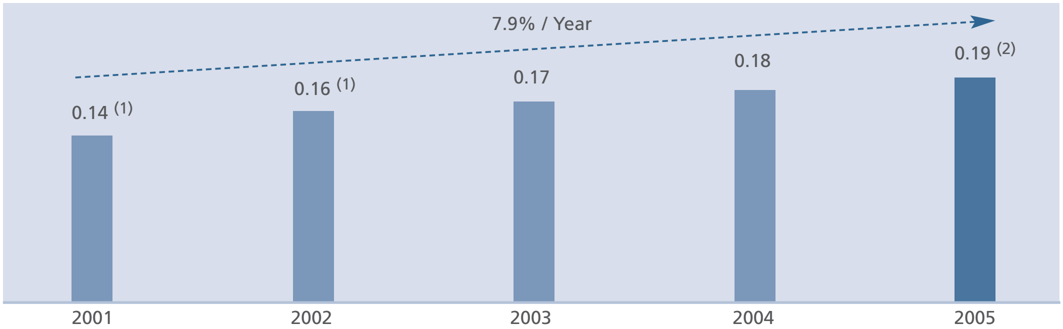
At 31st December 2005, CIMPOR - Cimentos de Portugal, SGPS, S.A., had a portfolio of 4,751,960 treasury shares. During the first six months of the year it sold 884,660 shares to its employees at an average price of approximately 3.16 euros, under the stock purchase and stock option plans referred to in paragraph 1.6. below. As no shares were purchased, there were 3,867,300 treasury shares in the portfolio at the end of 2005 which corresponds to 0.58% of the Company's 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 considers:

- The desirable stability of the payout ratio;
- The competitiveness of the dividend yield in the context of the Portuguese market and the international cement sector; and
- The Group's future investment prospects, analysed in the light of the respective financing needs with equity and the capacity of the various operations to generate cash flow.

**Gross Dividend / Share (euros)**




(1) Adjusted (stock split)

(2) As per proposal to be submitted at General Meeting

The proposed appropriation of profit included in CIMPOR's individual non consolidated Directors' Report, follows the policy guidelines described above. The dividend proposed is 0.19 euros per share, which corresponds to approximately 48% of the Group's net profit.

## 1.6. Stock Purchase and Stock Option Plans

As part of the Group's employee remuneration and incentive policy, and with a view to greater alignment of the employees' interests with the goal of creating shareholder value, the Annual General meeting of CIMPOR - Cimentos de Portugal, SGPS, S.A. held on April 27, 2005 decided, as in previous years and as proposed by the Board of Directors, to give employees the opportunity to invest in the company under favourable conditions. Therefore, approval was given for the sale of treasury shares to employees and Board members of the company and subsidiaries, under a new Employee Stock Purchase Plan and under the "2005 Serie" of the Stock Option Plan for the Group's Directors and Personnel regulated in 2002 (with minor changes introduced in March 2004 by the Remuneration Committee)

As in previous years, this approval by the Shareholders' Annual General Meeting made explicit reference to the justification for adopting the plans, the decision containing a summary of the essential characteristics of the approved plans, including the prerequisites for attributing the options, the criteria for defining the price of the shares or for exercising the options, determined in relation to the listed share price at specific moments, the periods in which the options may be exercised, and the granting of powers to the Board to execute or modify the plans.

### EMPLOYEE STOCK PURCHASE PLAN FOR 2005

This Plan is aimed at the directors and personnel with a stable binding relationship with CIMPOR - - Cimentos de Portugal, SGPS, S.A., or with companies with head offices in the Iberian Peninsula controlled directly or indirectly by CIMPOR - Cimentos de Portugal, SGPS, S.A., the directors and managers of the other Group companies (proposed by managers of the respective areas for that purpose) and other personnel (indicated for that purpose by the Executive Committee), contracted by companies in which the holding company or any company controlled by it has a participation. The Employee Stock Purchase Plan (2005) consisted of awarding each beneficiary - as decided by the Remuneration Committee with regard the Directors of the holding company, and as decided by the Executive Committee in the remaining cases - the right to acquire a specific number of CIMPOR treasury shares at 75% of the closing stock market price on the transaction date, (rounded off to the highest number) defined as follows:

$$\text{Maximum number of shares to be acquired} = \frac{\text{Gross base monthly salary / 2}}{\text{75\% of closing market share price on transaction date}}$$

rounded down to a multiple of five or ten shares, depending on whether the above formula results in less or more than 100 shares, respectively.

Of the 2,414 employees eligible to purchase CIMPOR shares according to this rule, 368 employees responded positively (315 in Portugal and 53 in Spain) within the given time period (from April 11th to 29th), having acquired 163,500 shares at the price of 3.21 euros per share.

### CIMPOR STOCK OPTION PLAN FOR THE GROUP'S DIRECTORS AND PERSONNEL – 2005 SERIE

The Stock Option Plan - 2005 Serie was applicable to the Directors of the holding company who the Remuneration Committee decided to name as beneficiaries and the members of the Board of Directors of subsidiaries and other personnel of the Group designated for that purpose by the Executive Committee.

As mentioned in the decision of the Shareholders' Annual General Meeting of the 27th of April, 2005, the essential characteristics of this Plan (with the changes introduced by the Remuneration Committee in March 2004) are as follows:

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

- For each share acquired through exercise of an initial option, the beneficiary is granted the option to acquire a share (derivative option) at the same unit price and in each of the following three years. The shares acquired by exercising the initial options and the corresponding derivative options comprise a "serie";

- The number of initial options assigned to each beneficiary is determined by the Remuneration Committee for members of CIMPOR's Board of Directors and by the Executive Committee in the other cases;
- The number of derivative options each beneficiary can exercise each year cannot exceed in total the number of shares held by the beneficiary on the 28th of February of that year, regardless of whether or not they were acquired under this Plan;
- The period during which the initial options can be exercised is determined by the Executive Committee, while derivative options are exercised in March of each year;
- The shares thus acquired are not subject to any clause restricting their sale, contrary to the options, which cannot be transferred through a transaction between living persons (should the beneficiary die, only the right to release the respective options is transferred to the heirs, which means the right to receive the amount of the difference between the respective exercise price and the market price of the shares on the date of death);
- The plan and respective regulations may be revoked or altered at any moment, by decision of the Remuneration Committee, without loss of the right to maintain the options already acquired.

In 2005, under this Plan, 313,700 initial options, with an exercise period from 6th to 13th May, were granted to 198 Group Directors and personnel. Of these, 161 exercised part or all their option rights, at the price of 3.30 euros per share, having acquired a total of 288,200 shares. Therefore, after deducting the extinguished options (totalling 1,200, due to voluntary termination of the labour contract of one employee), a maximum of 863,400 derivative options can be exercised from 2006 to 2008, inclusively, under this series.

## OPTIONS GRANTED, EXERCISED AND EXTINGUISHED

Under the 2002 Serie, of the 21,725 derivative options that could be exercised in 2005 (last year of this serie) at a price of 3.70 euros/share, only 4,750 options were exercised, the remaining 16,975 options having extinguished.

Under the 2003 Serie, of the 191,610 derivative options exercisable in 2005 at a price of 2.84 euros/share, 184,330 were exercised, the remaining 7,280 options having extinguished. Also in relation to this Serie, 600 derivative options, which could have been exercised in 2005, extinguished due to voluntary termination of the labour contract of two employees. Therefore, 191,010 derivative options under the 2003 Serie plan continue to be exercisable in 2006 (at the same unit price).

Under the 2004 Serie, of the 266,000 derivative options that could be exercised in 2005, at 3.20 euros/share, 243,880 were exercised and 22,120 extinguished. On the other hand, for the above mentioned reasons, a further 800 derivative options which could be exercised in 2006 and 2007, extinguished. Therefore, 531,200 derivative options under this Serie can be exercised at the same price in 2006 and 2007.

In summary with reference to 2005:

| | Serie | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | Total |
| Options Granted | | | | | |
| Initial Options | | | | 313,700 | 313,700 |
| Derived Options | | | | 941,100 | 941,100 |
| Exercisable Options | 21,725 | 191,610 | 266,000 | 313,700 | 793,035 |
| Exercised Options | 4,750 | 184,330 | 243,880 | 288,200 | 721,160 |
| Extinguished Options | | | | | |
| Exercisable in 2005 | | | | | |
| Initial options not exercised | | | | 25,500 | 25,500 |
| Derived Options not exercised | 16,975 | 7,280 | 22,120 | | 46,375 |
| Exercisable from 2006 to 2008, inc. | | | | | |
| Initial Options not exercised | | | | 76,500 | 76,500 |
| Other reasons | | 600 | 800 | 1,200 | 2,600 |

Therefore, while the number of shares needed at the beginning of the year to meet the exercise of options granted up to 2004, inclusively, amounted to 1,202,945 (479,335 of which could be exercised in 2005), the number of shares required at the end of the year to meet the exercise of all the options granted was 1,585,610, distributed as follows:

| Serie | Options Exercisable in: | | | |
|---|---|---|---|---|
| | 2006 | 2007 | 2008 | Total |
| 2003 | 191,010 | --- | --- | 191,010 |
| 2004 | 265,600 | 265,600 | --- | 531,200 |
| 2005 | 287,800 | 287,800 | 287,800 | 863,400 |
| **Total** | **744,410** | **553,400** | **287,800** | **1,585,610** |

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

Neither CIMPOR - Cimentos de Portugal SGPS, S.A., nor any of the companies it controls, has undertaken any business or operation with any of its management and auditing bodies, holders of qualified participations or controlled or group companies, with the exception of some transactions of no financial significance to either of the parties involved, conducted under normal market conditions for similar operations and executed under the Group's normal activity.

## 1.8. Investor Relations Office

In order to maintain a close relationship with the stock market, CIMPOR has had an Investor Relations Office since it was first listed (1994). This office is responsible for maintaining the financial community informed about the evolution of the Group's activity and supporting current and potential shareholders of CIMPOR - Cimentos de Portugal, SGPS, S.A., in their relations with the company.

In addition to information which might influence the price of shares, available on 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 stock markets are maintained through presentations (live or on the Internet), meetings and replies to telephone requests for information, email or traditional mail. In addition, press releases with significant facts and other information of interest related to the Group's activity, notices convening meetings, Financial Statements and evolution of CIMPOR's share price on Euronext are also disclosed on the www.cimpor.pt site.

The site includes, in addition the above items and information required under article 3-A of the CMVM Regulation 7/2001, the following:

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

**Ways of contacting the Investor Relations Office:**

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

Filipa Saraiva Mendes has been Representative for Relations with the Stock Markets and CMVM, in terms and for the purposes of the Securities Market Code, since 1st October 2004.

## 1.9. Remuneration Committee

On 27th April 2005 the Shareholders' Annual General Meeting unanimously elected the following members of the Remuneration Committee for the four year term from 2005 to 2008:

- Pedro Pereira Coutinho Teixeira Duarte
- Banco Comercial Português, S.A., represented by its director, Filipe de Jesus Pinhal
- António Carlos Calaínho de Azevedo Teixeira Duarte

Only the first of these is not independent under the provisions of item 9, Chapter I of the Appendix to CMVM Regulation 7/2001, as he is related directly to the director Pedro Maria Calaínho Teixeira Duarte.

The Company provides this committee with permanent access to outside consultants in several fields at its own expense.

## 1.10. Auditor's Fees

In 2005, the total cost of services rendered to the CIMPOR Group by its external auditors (Deloitte & Touche), including individuals and entities belonging to its network, amounted to 1,501,457.73 euros, distributed as follows:

| | |
|---|---|
| a) legal certification of accounts | 83.40 % |
| b) other assurance services | 3.25 % |
| c) tax consultancy services | 10.23 % |
| d) services other than legal certification of accounts | 3.12 % |

To safeguard the independence of these entities, acquisition from them of any type of service liable to jeopardizing that independence is expressly prohibited, namely:

- Accounting and administrative services, such as book keeping, the preparation of financial statements or financial reports, processing of salaries and the preparation of tax returns;
- Conception, design and implementation of management information systems;
- Asset or liability appraisal services which may be recorded in the Group's financial statements;
- Services within the scope of internal auditing;
- Legal consultancy services requiring that the entities in question represent any of the Group companies to resolve litigation and disagreements with third parties;
- Recruitment and selection of senior technical staff.

In addition, the acquisition of services from the external auditor or from entities belonging to its network, in Portugal and in the countries where the Group operates, is subject to a number of rules set out by the holding company and transmitted to all the Group's companies. Therefore, besides prohibiting the contracting of the aforementioned services:

- The entities in question must always demonstrate ability, credentials, resources and comparative advantages in relation to third parties as regards the services in question;
- Proposals to render services submitted by those entities are analysed and assessed - and, whenever possible, compared to the market - by the person in charge of the area (or company) requiring the service and, subsequently, depending on the amount of the proposal, by the director of the respective department or the Executive Committee responsible for deciding whether or not to award the contract.

## 2. Exercise of Voting Rights and Shareholder Representation

CIMPOR's policy has always been to motivate shareholders to exercise their voting rights by allowing them to vote by correspondence and by encouraging them to participate in Shareholders' General Meetings.

With regard to voting by correspondence, CIMPOR has provided a draft ballot form on the Internet for voting purposes, although it will accept any ballot form that clearly and unmistakably expresses the shareholder's wishes. For this purpose, all notices convening Shareholders' General Meeting clearly set out the procedures to be adopted and the deadlines which must be met - the declaration must be received by the Chairman of the Meeting by the second working day prior to the General Meeting.

In order to motivate shareholder participation in Shareholders' General Meetings, the notices convening the meetings set out the rules under the law and in the articles of association regarding this participation and the exercise of voting rights. More specifically, and with the amendments to the articles of association approved at the Shareholders' General Meeting on 27th April 2005:

- Shareholders with voting rights may attend the Shareholders' General Meeting, and one vote shall be granted for every five hundred shares (shareholders with fewer than five hundred shares may form a group to attain this number).
- Shareholders may be represented, for which they must deliver the necessary instruments of representation to the Meeting Chairman by 17:00 hours on the third working day prior to the respective General Meeting.
- Shareholders may take part and vote by correspondence provided that they hold at least five hundred shares which must be registered in their name no later than five days prior to date of the General Meeting and remain so until the Meeting is closed. For this purpose the shareholders shall provide proof of their voting rights to the Chairman of the General Meeting

through a declaration issued by the respective financial intermediary no later than three working days prior to that date.

During the fifteen days prior to the Shareholders' General Meeting, shareholders may consult the information indicated in Article 289 of the Commercial Company Code at the Company's registered office during business hours, the shareholders also being informed of this in the notice calling the meeting.

Given the current concentration of CIMPOR's shareholder structure, the use of electronic means for voting at Shareholders' General Meetings, other than those provided by the Internet, has not been deemed necessary.

## 3. Corporate Rules

### 3.1. The Code of Conduct of the Corporate Bodies

In addition to the legal provisions applicable to commercial companies, corporations open to investment by the public and to the stock markets, the company's culture and practice gives emphasis to the rules of good conduct in the event of a conflict of interest between the members of the governing bodies and the company, and to the principal obligations resulting 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.

Although the Board of Directors has always been attentive to the application of these principles in the companies of the Group, it has been considered advisable to codify a set of rules on these and other aspects which are particularly relevant to the Group's business. Therefore, a Code of Ethics was approved and publicised internally (available on www.cimpor.pt), in order to specify the rules on such matters and formalise adherence by all the Group's employees to the high standards of conduct in their functions.

### 3.2. Risk Control in the Company's Business

At holding company level, in addition to the Corporate Centre - whose responsibilities include financial and asset risk management (described in paragraph 6.2. 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 as well as the good performance of those systems.

More specifically, this Department performs the following:

- Conducts financial, administrative and asset audits,
  - Certifying the results in relation to the stated strategy and goals;

  - Examining and ensuring compliance with policies, the established plans and the applicable procedures, laws and regulations;
  - Verifying the powers and responsibilities established within the Group and the respective level of formalisation;
  - Monitoring the development or changes in operations, programs, systems and controls; and
  - Verifying the custody, physical existence and valuation criteria of the assets;

- Conducts operational audit tasks (in particular in the marketing, production, investment, conservation and personnel areas),
  - Evaluating the level of the respective management controls;
  - Recommending the corrective measures deemed necessary; and
  - Verifying whether previously reported deficiencies have been duly corrected;

- Audits the computer system,
  - Assessing the reliability and integrity of the information and the means used to identify, process and disclose it; and
  - Analysing the existing information systems, as regards security, basic programmed controls and the updating of the user manuals.

### 3.3. Measures Liable to Interfere in the Success of Takeover Bids

On 27th April 2005, the Shareholders' General Meeting approved the removal of item 5, article 7 of the Articles of Association, limiting the exercise of shareholders' rights to vote. This article, by which no shareholder, except the State, could cast votes, in its own name or representing others, that exceed ten per cent of the total votes corresponding to the share capital, was considered to tend to obstruct the launching of Takeover Bids. With this amendment, there are undoubtedly no remaining measures liable to interfere with the success of such operations.

In addition to this limitation being no longer applicable, no shareholder holds special rights and all CIMPOR's shares can be freely traded on the stock exchange. In addition no extra-company agreements are known of.

## 4. Management

### 4.1. Characterisation of Management

In accordance with the articles of the association, the Board of Directors consists of five to fifteen members, one of whom is chairman and the others members. The Board of Directors is elected at the Shareholders' General Meeting, which also appoints the chairman. As with other corporate offices, the

Board of Directors is elected for a four-year term and may be re-elected.

Up to 27th April 2005 the Board of Directors was made up of the following members who held their positions until that date in accordance with article 391 of the Commercial Company Code, although their mandate terminated on 31st December 2004:

- 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
- Vicente Árias Mosquera
- Manuel Roseta Fino.

Manuel Roseta Fino was co-opted, by decision of the Board of Directors on 24th December 2004, to replace Manuel Ferreira when the latter resigned from the Board. This was subsequently ratified unanimously at the Shareholders' General Meeting on 27th April 2005.

The following Executive Committee was formed in 2001 by this Board of Directors:

- 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 article 1 of CMVM Regulation 7/2001, as amended by CMVM Regulation 10/2005, the following directors cannot be considered independent: Jacques Lefèvre, João Salvador dos Santos Matias and Manuel Roseta Fino.

The current Board of Directors, unanimously elected for a four-year term from 2005 to 2008 by the Shareholders' General Meeting, consists 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
- Vicente Árias Mosquera
- José Manuel Baptista Fino
- José Enrique Freire Arteta.

As recommended by modern international corporate guidelines, the majority of the current members of the Board of Directors (six out of a total of eleven), including the Chairman, are non-executive directors. Namely:

- Ricardo Manuel Simões Bayão Horta – Chairman
- Luís Eduardo da Silva Barbosa
- Jacques Lefèvre
- Vicente Árias Mosquera
- José Manuel Baptista Fino
- José Enrique Freire Arteta.

The other five directors comprising the Executive Committee are:

- 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 item 2, article 1 of CMVM Regulation 7/2001, with the wording given in CMVM Regulation 10/2005, although the directors Jacques Lefèvre and José Manuel Baptista Fino were proposed and elected by the Shareholders' General Meeting on an individual basis and do not exercise their administrative duties representing any particular shareholder, they are not considered to be "independent non-executive directors", in both cases because they have administrative positions in companies with participations exceeding 10% in CIMPOR (Lafarge and Investifino - Investimentos e Participações, SGPS, S.A., respectively).

All the other non-executive directors - Ricardo Manuel Simões Bayão Horta, Luís Eduardo da Silva Barbosa, Vicente Árias Mosquera and José Enrique Freire Arteta - are independent under any criteria. Therefore, a clear majority of the six non-executive members are independent.

**Members of the Board of Directors**

(Term of mandate: 2008)

**Ricardo Manuel Simões Bayão Horta**

Chairman of the Board of Directors (since August 2001).

Born in Lisbon, Portugal, on 19th November 1936. Graduated in Industrial Chemical Engineering from Instituto Superior Técnico - IST (1959), Master of Science (1966) and Doctor of Philosophy (1968), from Birmingham University, Ph. D in Engineering (1973) from IST and Full Professor (1979) at IST.

Professional activities over the last 5 years:

Positions held in other companies on 31st December 2005:

Member of the Senior Board of Banco Comercial Português, S.A.

- Chairman of the Audit Committee
  - — Banco Comercial Português, S.A.
  - — BCP Investimento – Banco Comercial Português de Investimento, S.A.
- Chairman of the Board of Directors
  - — Companhia Industrial de Resinas Sintéticas (CIRES), S.A.
  - — Atlansider, SGPS, S.A.

Number of shares held in CIMPOR - Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 25,240.

**Luís Eduardo da Silva Barbosa**

Member of the Board of Directors (since August 2001).

Born in Lisbon, Portugal, on 7th July 1933. Graduated in Finance from Instituto Superior de Ciências Económicas e Financeiras.

Professional activities over the last 5 years:

- Director
  - — Parque EXPO 98, S.A.
  - — Parque EXPO Serviços, S.A.
  - — Parque EXPO, SGPS, S.A.
  - — Expodomus – Promoção Imobiliária, S.A.
- Consultant of Banco BNP Paribas
- General Agent in Portugal for the branch Abeille Vie - Société Anonyme d'Assurances Vie Capitalisation

- Director of APA – Associação Parque Atlântico

Positions held in other companies on 31st December 2005:

- Chairman of the Board of the Shareholders' General Meeting
  - Bayer Portugal, S.A.
  - APA – Associação Parque Atlântico
- Chairman of the Board of Directors
  - Eurovida – Companhia de Seguros de Vida, S.A.
  - ADI – Administração de Investimentos, S.A.
- President of the Humanism and Development Institute
- National President of the Portuguese Red Cross
- Director
  - Oliveira Martins Foundation
  - Portugal-África Foundation
- Manager of Silva & Barbosa – Consultores Internacionais de Gestão, Lda.
- Director of the Amélia da Silva de Mello Foundation
- Consultant of the Somelos Group – Indústrias Têxteis
- Member of the Advisory Committee of the Portuguese Insurance Institute
- Representative of Shareholders in Banco Português de Investimentos

Number of shares held in CIMPOR – Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 2,690.

**Jacques Lefèvre**

Member of the Board of Directors (since August 2001).

Born in Paris, France, on 15th April 1938. Diploma from Paris Institute of Political Studies (1958) and Degree in Law (1959). Diploma of Further Studies in Public Law (1961). National School of Administration (1962-64).

Professional activities over the last 5 years:

- President of Lafarge Ciments
- Director
  - Lafarge North America
  - Cementia Holding, A.G.
  - Cementos Molins, S.A.
  - Hurricane Hydro Carbons, Ltd.

- Positions held in other companies on 31st December 2005:
- President of the Supervisory Board of Compagnie de Fives-Lille

- Non-executive Deputy Chairman of the Lafarge Group
- Co-President
  - France – Philippines Business Council
  - France – Morocco Business Council
- Director
  - Lafarge Asland, S.A.
  - Société Nationale d'Investissements (Maroc)
  - Petrokazakhstam Inc.

Number of shares held in CIMPOR - Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 2,190.

**Jean Carlos Angulo**

Member of the Board of Directors and of the Executive Committee (since August 2001).

Born in Bayonne, France on 13th April 1949. Graduated from the School of Civil Mine Engineering (Nancy). INSEAD International Executive Program (Fontainebleau).

Professional activities over the last 5 years:

- Various positions in the Management and Direction of the Lafarge Group in companies with head offices in France, England, Spain, Italy and Morocco
- President of the professional organizations Syndicat Français de l'Industrie Cimentière, ATILH and Cimbéton
- Director CEMBUREAU – European Cement Association

Positions held in other companies on 31st December 2005:

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

Number of shares in CIMPOR - Cimentos de Portugal, SGPS, S.A on 31st December 2005: 9,310.

**Jorge Manuel Tavares Salavessa Moura**

Member of the Board of Directors and of the Executive Committee (since August 2001).

Born in Lisbon, Portugal on 4th December 1950. Graduated in Civil Engineering from Instituto Superior Técnico of Universidade Técnica de Lisboa.

Professional activities in the last 5 years:

- Advisor to CIMPOR's the Board of Directors in the area of Concrete and Aggregates until 31st July 2001; thereafter, Executive Director of CIMPOR and member of the Board of Directors of a number of the Group's companies in Portugal and abroad.
- Chairman of the Executive Committee of ATIC – Associação Técnica da Indústria do Cimento

Positions held in other companies on 31st December 2005:

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

- Mecan – Manufactura de Elementos de Casas de Construção Normalizada, Lda.
- Scanang, SGPS, Unipessoal, Lda.
- Nordicave Trading Industrial, Sociedade Unipessoal, Lda. (Cape Verde)

The above companies all belong to the CIMPOR Group

- Chairman of the Executive Committee of ATIC – Associação Técnica da Indústria do Cimento
- Manager of Caxalp, SGPS, Lda

Number of shares in CIMPOR - Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 94,300.

**Luís Filipe Sequeira Martins**

Member of the Board of Directors and the Executive Committee since January 1997). Between February 1987 and January 1997 was also director of the companies which, after successive transformations, resulted in the current CIMPOR - Cimentos de Portugal, SGPS, S.A.

Born in Lisbon, Portugal on 4th June 1947. Graduated in Chemical Engineering from Instituto Superior Técnico of Universidade Técnica de Lisboa.

Professional activities over the last 5 years:

- Executive Director of CIMPOR and member of the Board of Directors of a number of the Group's companies in Portugal and abroad
- Vice-President of Comité de Liaison da CEMBUREAU – European Cement Association

Positions held in other companies on 31st December 2005:

- Chairman of the Board of Directors
    - Betão Liz, S.A.
    - CIMPOR Betão, SGPS, S.A.
    - CIMPOR TEC – Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A.
    - Amreyah Cement Company, S.A.E. (Egypt)
    - Amreyah Cimpor Cement Company, S.A.E. (Egypt)
    - Amreyah Dekheila Terminal Company, S.A.E. (Egypt)
    - Cement Services Company, S.A.E. (Egypt)
    - Cimpor Sacs Manufacture Company, S.A.E. (Egypt)
- Deputy Chairman of the Board of Directors of CIMPOR Inversiones, S.A. (Spain)
- Director and Chairman of the Executive Committee of Corporación Noroeste, S.A. (Spain)

- Director
  - CIMPOR Portugal, SGPS, S.A.
  - CIMPOR Internacional, SGPS, S.A.
  - CIMPOR Investimentos, SGPS, S.A.
  - CIMPOR – Indústria de Cimentos, S.A.
  - Asment de Témara, S.A. (Morocco)
  - CJO – Sociéte des Ciments de Jbel Oust, S.A. (Tunisia)
  - Natal Portland Cement Company (Pty) Limited (South Africa)
- Manager
  - Kandmad, SGPS, Lda.
  - Scanang, SGPS, Unipessoal, Lda.
  - Nordicave Trading Industrial, Sociedade Unipessoal, Lda. (Cape Verde)

The above companies all belong to the CIMPOR Group.

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

Number of shares in CIMPOR - Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 80,000.

**Manuel Luís Barata de Faria Blanc**

Member of the Board of Directors and of the Executive Committee since August 2001.

Born in Lisbon, Portugal on 24th February 1955. Graduated in Business Administration from Universidade Católica Portuguesa.

Professional activities over the last 5 years:

- General Director of Banco Comercial Português, S.A.
- Executive Director CIMPOR and member of the Board of Directors of a number of the Group's companies in Portugal and abroad

Positions held in other companies on 31st December 2005:

- Chairman of the Board of Directors
  - CJO – Société des Ciments de Jbel Oust, S.A. (Tunisia)
  - CEC – Cimpor Egypt for Cement, S.A.E. (Egypt)
  - Cimentos de Moçambique, S.A.R.L. (Moçambique)
  - Imopar – Imobiliária de Moçambique, S.A.R.L. (Mozambique)
  - Natal Portland Cement Company (Pty) Limited (South Africa)
  - CIMPOR Reinsurance, S.A. (Luxemburgo)

- Deputy Chairman of the Board of Directors of CIMPOR Inversiones, S.A. (Spain)
- Director
  - — CIMPOR Portugal, SGPS, S.A.
  - — CIMPOR Internacional, SGPS, S.A.
  - — CIMPOR Investimentos, SGPS, S.A.
  - — CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A.
  - — Corporación Noroeste, S.A. (Spain)
  - — Asment de Témara, S.A. (Morocco)
  - — Amreyah Cement Company, S.A.E. (Egypt)
  - — Amreyah Cimpor Cement Company, S.A.E. (Egypt)
  - — Amreyah Dekheila Terminal Company, S.A.E. (Egypt)
  - — Cement Services Company, S.A.E. (Egypt)
  - — Cimpor Sacs Manufacture Company, S.A.E. (Egypt)
  - — CIMPOR Finance, Ltd. (Ireand)
- Manager
  - — Kandmad, SGPS, Lda.
  - — Scanang, SGPS, Unipessoal, Lda.
  - — Nordicave Trading Industrial, Sociedade Unipessoal, Lda. (Cape Verde)

The above companies all belong to the CIMPOR Group.

Number of shares in CIMPOR - Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 137,400.

**Pedro Maria Calaínho Teixeira Duarte**

Member of the Board of Directors and Chairman of the Executive Committee since August 2001.

Born in Lisbon, Portugal on 6th May 1954. Graduated in Business Administration from Universidade Católica Portuguesa.

Professional activities over the last 5 years:

- Managing Director of Teixeira Duarte – Engenharia e Construções, S.A., and member of the Board of Directors and Management of a number of family companies of the Teixeira Duarte Group.
- Member of the Senior Board of Banco Comercial Português, S.A.
- Member of the General Board of EIA – Ensino, Investigação e Administração, S.A.

Positions held in other companies on 31st December 2005:

- Member of the Senior Board of Banco Comercial Português, S.A.

- Chairman of the Board of Directors of PASIM – Sociedade Imobiliária, S.A.
- Director
    - Teixeira Duarte – Engenharia e Construções, S.A.
    - Teixeira Duarte – Engenharia e Construções (Macau), Lda.
- Manager of Hipus – Sociedade Hípica e Turística da Bela Vista, Lda.

Number of shares in CIMPOR - Cimentos de Portugal, SGPS, S.A on 31st December 2005: 231,940.

**Vicente Árias Mosquera**

Member of the Board of Directors since August 2003).

Born in Santiago de Compostela, Spain on 11th February 1947. Graduated in Law from the University of Santiago de Compostela.

Professional activities in the last 5 years:

- Director of Patronato da Fundación Camilo José Cela
- Positions held in other companies on 31st December 2005:

- Chairman of the Board of Directors
    - Inversiones Ibersuizas, S.A.
    - Centro Galego de Arte Contemporânea
    - Patronato da Escuela de Enseñanza Social de Galicia

- Deputy Chairman of the Board of Directors
    - Banco Pastor, S.A.
    - Fundación Galicia-Europa
- Director
    - Soluzona, S.A.
    - Patronato da Fundación Juana de Veja

- Member Secretary of the Board of Directors of Fundación Pedro Barrie de la Maza, Conde de Fenosa

Number of shares in CIMPOR - Cimentos de Portugal, SGPS, S.A. on 31st December 2005: 1,070.

**José Manuel Baptista Fino**

Member of the Board of Directors since April 2005.

Born in Portalegre on 10th January 1954. Complementary High School Course (1971) and attended North East London Polytechnic (Business Studies), London (1972-74).

Professional activities over the last 5 years:

- Chairman of the Board of Directors of Mothercare (Portugal) Confecções, S.A.
- Positions held in other companies on 31st December 2005:

- Chairman of the Board of Directors
    - — Área Infinitas – Design de Interiores, S.A.
    - — SGFI – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.
    - — J.M. Fino, S.A.
    - — Ramada Holdings, SGPS, S.A.
- Director
    - — Speciality Minerals Portugal – Especialidades Minerais, S.A.
    - — Manuel Fino, SGPS, S.A.
    - — Investifino – Investimento e Participações, SGPS, S.A.
    - — Carfino, SGPS, S.A.
    - — Ethnica, SGPS, S.A.
    - — Block – Imobiliária, S.A.
- Manager of Dorfino – Imobiliária, Lda.

On 31st December 2005 held no shares in CIMPOR - Cimentos de Portugal, SGPS, S.A..

**José Enrique Freire Arteta**

Chairman of the Board of Directors since April 2005.

Born in La Coruña, Spain on 17th July 1948. Graduated in Economics from the Faculty of Barcelona.

Professional activities over the last 5 years:

- Executive Chairman of the Megasa Group (Bipadosa), in the metallurgical (Spain and Portugal), real estate and transport sectors and electrical energy.

Positions held in other companies on 31st December 2005:

- Chairman of the Board of Directors

- Bipadosa, S.A.
- Bipadosa Distribuición y Transformación, S.L.
- Metalúrgica Galaica, S.A.
- Megasider, S.L.
- Siderurgia Nacional, Empresa de Produtos Longos, S.A.
- Hidroeléctrica del Forcadas, S.A.
- Megamalla, S.L.
- LAF 98, S.L.
- SN Maia, Siderurgia Nacional, S.A.
- SN Seixal, Siderurgia Nacional, S.A.
- Frepon, S.A.

• Managing Director
- Transportes Almacenes Transitários, S.A.
- Multimodal de Transportes Agrupados, S.L.
- LAF 2000, S.L.

• Director
- Freire Hermanos, S.A.
- Freire, Productos Siderúrgicos, S.A.
- Atlansider, SGPS, S.A.
- Megaço, Productos Siderúrgicos, S.A.
- Feragueda, Productos Siderúrgicos, S.A.
- Atlanport – Sociedade de Exploração Portuária, S.A.
- Comercial Galaica de Metales, S.A.
- Lesir, S.A.

• Manager of Megasa, Comércio de Produtos Siderúrgicos, Lda

On 31st December held no shares in CIMPOR - Cimentos de Portugal, SGPS, S.A..

### 4.2. Executive Committee

As in previous mandates and provided for in item 1, article 14 of the Articles of Association, the newly elected Board of Directors decided at their meeting on 27th April 2005 to form an Executive Committee comprising five of their members, to be delegated all the powers of the Company's day-to-day management, except for decisions that cannot be legally delegated as laid out in paragraph 4.3. below.

The Executive Committee is composed of the same members as the previous mandate, namely:

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

The Executive Committee - chaired by Pedro Teixeira Duarte, who, when necessary, is substituted by Jorge Salavessa Moura, cannot decide without a majority of its members being present or represented. Decisions are taken by a majority of those present or represented. During 2005, the Executive Committee met on 41 occasions.

Without prejudice to the collective 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 in paragraph 1.1.1. above. The following distribution for liaison with external entities was defined:

- Technical Cement Industry Association (ATIC) and other Sector 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 and Exchange Commission (CMVM), Euronext Lisbon and the Supervisory Board - Manuel de Faria Blanc, substituted, when necessary, by Jorge Salavessa Moura.

### 4.3. Method of functioning of the Management 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 are present or represented, and each Director may represent no more than one member of the Board. During 2005, the Board met 10 times. As mentioned above, the Executive Committee cannot decide on the following matters legally classified as beyond its scope, within the terms of Article 407, item 4 of the Commercial Company Code:

- Selection of the Chairman of the Board of Directors, when applicable;
- Co-option of directors;
- Convening of General Meetings;
- Annual reports and accounts;
- The posting of bonds and the provision of personal or real guarantees by the Company;
- Change of the head 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, the Executive Committee also decided at the start of its mandate, by its initiative, to reserve final deliberations for the Board of Directors on 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 of special relevance due to their nature or 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 meetings of the Board of Directors, the Executive Committee regularly summarises significant actions taken since its previous meeting and provides the directors with additional or supplementary clarifications and information as requested;
- There are also regulations allowing directors to request the Executive Committee to provide information outside the Board of Directors' meetings.

### 4.4. Remuneration

Remuneration of the members of the Company's Board of Directors as well as its form and payments under the supplementary retirement or disability pension scheme are determined by the Remuneration Committee which consists of shareholders elected at the Shareholders' General Meeting. The remuneration may include a variable component established in accordance with the year's profit which, in accordance with item 6, article 17 of the Articles of the Association, cannot, in total, exceed 5% of the profit.

The fixed annual remuneration of the members of the Board of Directors is established by the Committee, considering the following principles:

a) Adequacy of the remuneration in relation to the market demands;

b) Assessment of the services rendered and the expected level of responsibility and dedication;

c) Award of a supplementary pension scheme (PPR) to directors with executive functions for which monthly contributions are made corresponding to 12.5% of their respective fixed remuneration.

In addition, all the directors benefit from the “Employee Share Option Plan” in accordance with a decision taken by the Remuneration Committee described in paragraph 1.6. above.

The variable remuneration (including the granting of share options) is limited to members of the Executive Committee, this being determined annually, on an individual basis, by the Remuneration Committee based on the Group's results (with the above mentioned limit), the extent to which the defined strategic goals were met and appraisal of the performance of each director in his specific area of work.

Share options are granted in accordance with the rules laid out in the overall program described above in paragraph 1.6. In 2005, the number of options granted to the executive directors, as well as the options exercisable, exercised and extinguished is as follows:

| | Serie | | | | |
|---|---|---|---|---|---|
| | 2002 | 2003 | 2004 | 2005 | Total |
| Options granted | | | | | |
| Initial options | - | - | - | 150,000 | 150,000 |
| Derived options | - | - | - | 450,000 | 450,000 |
| Exercisable options | 3,000 | 66,500 | 128,000 | 150,000 | 347,500 |
| Exercised options | 0 | 66,500 | 128,000 | 146,000 | 340,500 |
| Extinguished options * | | | | | |
| Exercisable in 2005 | - | - | - | 4,000 | 4,000 |
| Exercisable from 2006 to 2008, inc. | - | - | - | 12,000 | 12,000 |

* Due to not exercising Initial Options

In accordance with item 3, article 17 of the Articles of the Association, a lifetime pension may also be granted to directors who terminate their duties, whenever the following prerequisites are met:

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

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

The amount of the pension is determined considering the period or significance of the services rendered and the beneficiary's situation, and may be reviewed annually. The Shareholders' General

Meeting (or the Remuneration Committee, if one exists) is responsible for determining the respective amount using these criteria (which can never exceed the amount of the highest fixed remuneration earned, at each moment of time, by the directors in office), as well as defining the other terms and conditions for granting the pensions (which may be in the form of a contract).

The total amount of the remuneration, contributions to the retirement or disability pension scheme and other incentives earned by members of the Company's Board of Directors during the year ended 31st December 2005 was as follows:

| (in euros) | Fixed Remuneration | Variable Remuneration | Total Remuneration |
|---|---|---|---|
| Executive Directors | 1,139,075.00 | 1,853,953.71 | 2,993,028.71 |
| Non Executive Directors | 526,600.00 | - | 526,600.00 |
| **Total** | **1,665,675.00** | **1,853,953.71** | **3,519,628.71** |

## 4.5. Policy on the Communication of Irregularities

In 2006, the Board of Directors approved and published a set of in-house rules and procedures regarding how communications of alleged irregularities occurring in the ambit of CIMPOR Group companies are received, recorded and treated. These rules and procedures respect the legal and regulatory provisions, the applicable recommendations, and the principles and rules in the Code of Ethics adopted by the Group.

Under these new Regulations, a system is established for such communications which is intended to be effective, quick and able to detect, investigate and resolve the situations, whilst respecting the highest ethical principles - in particular the principles of integrity and responsibility - as well as the rules of confidentiality and non-retaliation, thereby safeguarding relations with the person making the declaration.

Under the terms, and for the purposes, of these Regulations, in accordance with item 2 of its article 2, "irregularity" is understood to be "any fraudulent or negligent act or omission, contrary to the legal provisions or regulations, the Articles of Association or the rules or ethical principles of the Company, which can be imputed to any member of the governing body or any other employee of the Group".

If there are reasonable grounds for suspicion of an irregularity, it should be communicated: (i) to the highest hierarchical superior in the department, area or service to which the "declarer" belongs; or (ii) to the Board of Directors of the holding company, in the case of the "declarer", being a member of the governing body of one of the Group's companies, is not subject to any hierarchical structure, or if he provides sufficient grounds to support the fact that the hierarchical superior is not the most appropriate person to receive and/or to deal with the irregularity in question.

The communication should be sent in writing to the competent person/body at a specific postal address (used exclusively for the reception of such communications) and should be clearly marked "Private and Confidential - Communication under the Regulations on the Communication of Irregularities". After duly recording the communication, the receiver shall decide, in accordance with the terms established in the Regulation, whether it shall be initially accepted or rejected. Acceptance of such a communication is followed by a decision on the subject matter of the irregularity and an assessment of its gravity. Thereafter, the person who received the communication or the Board of Directors of the holding company is responsible for the investigation and the final decision (to file or resolve the irregularity).

Without prejudice to the powers of the Board of Directors In-house Corporate Responsibility and Social Responsibility Advisory Committee, the Internal Audit Department is responsible for monitoring and supervising the whole System for the Communication of Irregularities, particularly with regard the levels of adequacy and effectiveness.

The Regulations specifically guarantee that any communication made by an employee, under the terms and conditions established therein, shall be treated confidentially and anonymously, with regard identity of the "declarer" (unless he expressly and unequivocally requests otherwise). As long as the declarer is acting in good faith and truthfully, he is assured that there will be no prejudicial treatment, retaliation, discrimination, threat or sanction on the part of CIMPOR. However, should his conduct disrespect such principles, this may constitute an offence liable to appropriate disciplinary sanctions in proportion to the offence, without prejudice to civil and/or criminal responsibility which might result from such behaviour.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# 2

Consolidated Annual Report

# Group Activity

# 1. Macroeconomic and Sector Environment

## 1.1. Evolution of the Global Economy

There was significant growth (4.3%) in the global economy in 2005, albeit slightly lower than in the previous year (5.1%). In regional terms, the economic recovery of Japan stands out along with the expansion rate of some of the emerging countries, in particular China, and India, as well as the USA and the new European Union countries. However, aggravation of some global imbalances could put the sustainability of world economic growth at risk in 2005 (e.g. the current balance deficit in the USA, of Great Britain and a number of Euro Zone countries and the serious budget deficits of Japan and some European economies).

Despite the rise in petroleum prices and the natural phenomena which shook the southern United States, North American GDP grew sharply (3.5%) on the back of consumer and investment expansion and in a context of rising productivity and improved conditions in the labour market.

However, growth of the European economies was much more modest, with a rise of just 1.3% in GDP of the Euro Zone countries, where average annual inflation rose 0.2 p.p. to 2.3%, due largely to the increase in energy prices.

## 1.2. Economic Environment in the Countries where the Group operates

### 1.2.1. Portugal

The growth of Portuguese GDP in 2005 did not exceed 0.3% and for the fourth consecutive year was well below the Euro Zone average. This climate of stagnation is largely due to the marked slowdown of domestic demand (from 2.1 % in 2004 to just 0.6% in 2005) resulting from restraints on public expenditure and the more than 3% drop in investment.

Despite the recovery over the second half year, due mainly to weakening of the euro, the increase in exports did not reach 2%, thus confirming the difficulties faced by Portuguese companies operating in the increasingly competitive international market. Contrary to the trend over recent years, the current and capital account deficit increased to 8.5% of GDP, due not only to that, but also to the increased cost of energy imports and the decrease in structural funds coming from the III Community Support Framework.

The annual average inflation rate fell from 2.5% in 2004 to 2.1% and unemployment was up at the end of the year to nearly 8% (the highest level since at least the mid 1990s).

### 1.2.2. Spain

Spain once again stood out positively in a Europe with low growth rates. GDP rose by nearly 3.4% (0.3 p.p. up on the previous year and roughly double the Euro Zone average). The main factors for this growth continue to be investment levels in the construction industry and dynamic private consumption, driven by the increase in the working population, lower unemployment and credit expansion.

On the other hand, inflation was again well over the European average, up about 0.8p.p. to nearly 3.7%. Another significant concern, in addition to fears that the current real estate “bubble” might burst, is the external sector: while imports continue to rise, fed by the expansion of private consumption, there is a continued fall in the competitiveness and market share of exports, due largely to persistence of the above mentioned inflation differential and the considerable increase in labour costs.

### 1.2.3. Morocco

Drought in Morocco in 2005 led to a drop of about 12.5% in agricultural production. Given the importance of this sector in the economy, the increase in GDP was below 2% in contrast with 4.2% in 2004. However, the other sectors, in particular the construction and hotel and catering sectors, performed well with overall growth of 4.4%.

Private consumption increased approximately 4.3% (less than half the rate for 2004), strongly influenced by the decrease in purchasing power of the rural population (despite inflation remaining below 2%). On the other hand, there continued to be marked growth in public consumption (14.6%) as well as in GFCF (7.9%), stimulated by the volume of public works and by incentives for private investment (namely, by the reduction of import levies on equipment).

Rising petroleum prices led to a more than 13% increase in imports, while exports - due to the bad year for agriculture and increased competition in the textile industry from Asian countries (due to the dismantling of the multi-fibre agreement) - grew only 1.3%. Therefore, there was a balance of payments deficit (the first since 2001) equivalent to nearly 1.2% of GDP.

### 1.2.4. Tunisia

As a result of the clear slowing of industrial production growth in almost all sectors (except energy), the increase in Tunisia's GDP fell from 5.8% in 2004 to 4.2% in 2005. The sectors with the weakest performance were farming and food processing (with a fall in production of 2.2% as opposed to a rise of 8% in 2004) and, like Morocco, textiles and for the same reasons.

Nevertheless, the strong balance which has characterised the economy in recent years remained stable: the budget and balance of payments deficits were 2.3% and 2% of GDP, respectively, and inflation did not exceed 2%.

### 1.2.5. Egypt

In 2005, the Egyptian economy performed positively with 4.9% growth in GDP - the highest for five years. This follows an extensive privatisation program, important restructuring measures in the finance sector and reforms in the customs, tax and exchange areas.

In this context of a strongly expanding economy, the main index of the Cairo and Alexandria Stock

Exchange rose around 150% in just one year, driven by the increase in foreign direct investment and by the success of the privatisation program, income from which totalled the equivalent of nearly 950 million USD, more than double the amount obtained between 2000 and 2004.

Meanwhile, despite the rise in inflation to nearly 9%, the Egyptian pound strengthened nearly 6% against the US dollar and more than 20% against the Euro, thus correcting the marked devaluation suffered in 2003.

### 1.2.6. Brazil

Unable to maintain the same growth rate as in 2004 (nearly 5%), the Brazilian economy grew no more than about 2.5% in 2005 due largely to the decision to deliberately maintain exceptionally high interest rates over a long period of time.

The manufacturing and civil construction industries - together responsible for almost one third of GDP - were the most seriously affected by the monetary policy restrictions; manufacturing grew just 2% in 2005 after an increase of 7.7% in 2004 while civil construction grew no more than 1.5% in 2005.

As a result of this restrictive policy and significant strengthening of the Brazilian currency (the annual average exchange rate against the US dollar was up 20%), inflation fell below 7% for the first time in four years.

### 1.2.7. Mozambique

Soaring petroleum prices and evolution of the exchange rate (with the metical weakening more than 20% over the year) triggered fuel price rises of about 70%, which prevented the economy from reaching the growth levels attained in Mozambique in previous years. Nevertheless, GDP grew about 7% thanks to the increase in public and private investment, encouraged by a fall of about 6 p.p. in interest rates.

The average inflation rate benefited from moderate price increases in South Africa (which supplies most of Mozambique's food imports), falling to about 8%, although year on year figures at the end of 2005 shot up to nearly 14%.

### 1.2.8. South Africa

The relatively stable South African currency together with inflation remaining below 4% and fall in the Central Bank's intervention rate to 10.5% contributed significantly to the continued good macroeconomic situation in South Africa. GDP rose nearly 5% on the back of good performance in the following sectors: agriculture (10.2%), construction (9.5%), retail sales (6.3%) and transport and communications (6.1%).

Unemployment remains the principle cause of concern with the rate at roughly 27%, although nearly 660 thousand new jobs were created in 2005.

### 1.2.9. Cape Verde

In 2005, GDP in Cape Verde grew nearly 6.5% largely due to the expansion of tourism (responsible for nearly 10% of GDP) and an almost 11% increase in public investment.

The average inflation rate remained below 1%.

## 1.3. Evolution of the Cement Sector

Recent estimates indicate that world cement consumption exceeded 2,000 million tons in 2005, up about 3.5% on 2004, a clear indication that the strong upward trend of recent years is slowing down.

This was particularly marked in China where the market, which is responsible for nearly half of world consumption, increased no more than 4% compared to growth rates of over 10% in the previous years. However, the India and United States markets, second and third biggest cement consumers in the world respectively, rose over 5%.

In Western Europe, where overall growth of the market did not exceed 1%, consumption varied greatly in the different countries: whereas consumption rose more than 3% in Belgium, Spain, Sweden and Switzerland, the restrictions imposed by the control of public deficits and lower investment in new works in other countries e.g. Germany, Greece and Portugal) led to stagnation or even a decrease in consumption.

In Eastern European countries, cement consumption continued to rise significantly, although less than in previous years. The Ukraine, Poland, Bulgaria and Serbia saw the biggest increases (between 7% and 15%) as opposed to Russia where the market virtually levelled off following a period of marked growth in cement consumption (always over 8%/year).

In North America, consumption increased significantly following economic growth, significant public works programs and the need to rebuild infrastructures and housing as a result of the serious weather conditions that hit the east and south coasts of the United States.

Cement consumption in Latin America as a whole increased nearly 4%. Growth was strongest in Colombia and Argentina in 2005 with increases of 10% and 15%, respectively.

Growth in the Asian market remained at about the same level (4%), reflecting a clear deceleration due to slowing consumption in China and decreases in Japan (3%) and South Korea (13%).

In contrast, in Africa and the Middle East the increase in cement consumption in 2005 was in general the same or significantly greater than in the previous year (particularly in Egypt, Morocco and Nigeria), in both cases, overall growth being around 5% to 6%.

There were no significant changes in cement trading, due mainly to the increase in production capacity in a number of countries that were traditionally importers. The United States, the country that imports the greatest volume of cement (32 million tons), was the main exception to this with a 17% increase in trade.

Sales prices evolved in line with the specific conditions of each market, with a slight upward trend. Prices rose significantly in countries where production capacity was still insufficient to supply the market and/or the demand was particularly strong (e.g. Egypt, South Africa and the United States). However, prices in most countries in Europe and Latin America remained stable, with the noticeable exceptions of Colombia and Brazil where strong competition resulted in a sharp drop in sales prices.

In China, restraints imposed on economic growth, the opening of a large number of production lines and the failure to deactivate old and obsolete units, led to increased competition which triggered a sharp drop in cement prices in the domestic market to nearly 30 USD/ton.

The situation with regard to mergers and acquisitions in the sector was not unlike 2004 both in terms of the number and size of the transactions (not considering the takeover bid in 2004 of Holcim and Cemex for Aggregate Industries and RMC, respectively). However, there was an increasing trend for new parties to be involved (private equity funds and companies from other sectors), which had no tradition in the cement industry, which, along with the increasingly scarce opportunities for acquisition, has significantly limited the possibility of growth by this means.

The most significant transactions in 2005 were the acquisition of the Argentinean company, Loma Negra, by the Brazilian group, Camargo Corrêa; and of the Egyptian companies Suez and Helwan by the Italcementi group. In addition, significant minority positions were also taken in the Indian company, ACC, by Holcim and in the Spanish company, Uniland, by the CRH group.

## 2. Review of Group’s Results

### 2.1. Summary of Overall Business

In 2005, the CIMPOR Group's Consolidated Net Profit (after Minority Interest) amounted to 266.2 million euros (3.9% up on the previous year). Excluding the impact of non recurring financial gains in these two periods, the increase was nearly 30 million euros (approximately 13%) in relation to 2004 profit using a comparable base.

Despite a number of adverse factors - including the continued fall in sales prices of cement in the Brazilian market, continued recession in the Portuguese market and the substantial increase in fuel prices - the Group's Operating Cash Flow (EBITDA) increased approximately 44 million euros (9.7%), with a slight drop in the respective margin (from 33.1% in 2004 to 32.3% in 2005) as a result of the above mentioned factors.

**The Group's Consolidated Results**

(million euros)

| | 2005 (IFRS) | 2004 (IFRS) | Chg. | 2004 (PGAAP) |
|---|---|---|---|---|
| Turnover | 1,534.9 | 1,365.6 | 12.4 % | 1,365.6 |
| Operating Cash Costs | 1,039.0 | 913.7 | 13.7 % | 906.9 |
| Operating Cash Flow (EBITDA) | 495.8 | 451.9 | 9.7 % | 458.7 |
| Depreciation and Provisions | 140.4 | 128.5 | 9.2 % | 210.5 |
| Operating Income (EBIT) | 355.4 | 323.4 | 9.9 % | 248.2 |
| Financial Income | - 3.3 | - 6.7 | s.s. | - 6.5 |
| Extraordinary Income | 0.0 | 0.0 | -- | - 5.8 |
| Income Before Income Tax | 352.2 | 316.7 | 11.2 % | 235.9 |
| Income Tax | 75.7 | 52.9 | 43.1 % | 45.5 |
| Net Income | 276.5 | 263.8 | 4.8 % | 190.4 |
| Assignable to: | | | | |
| Holders of Capital | 266.2 | 256.1 | 3.9 % | 185.9 |
| Minority Partners | 10.3 | 7.7 | 34.8 % | 4.5 |
| **Net Result / Share (euros)** | **0.40** | **0.38** | **3.8 %** | **0.28** |

Egypt and Spain - with increases of 18.5 million euros and 16.1 million euros, respectively in Operating Cash Flow - contributed most to the significant improvement in CIMPOR's operating profitability. This is due essentially to the increase in the sales price of cement in these markets, together with a marked growth in sales and the effect of the strengthening of the local currency (by nearly 7%) against the euro in Egypt.

The increase in the Operating Cash Flow of Trading / Shipping and the Portuguese Business Area (both in the region of 7 million euros), together with the decrease in the cost of central services (about 3.5 million euros), are also worthy of note due to their contribution to the Group's improved EBITDA.

The only exceptions to this almost general increase in Operating Cash Flow are the Business Areas of Tunisia - due to the fall in the market, aggravated by some operating problems - and, especially, Brazil, where the sales price of cement dropped nearly 17% in local currency. Although the latter negative variation was attenuated by the increase in sales and the impact of the stronger real (nearly 20% in terms of the average annual exchange rate), it exceeded 15 million euros which represents a decrease of more than 11 p.p. in the EBITDA margin.

The Morocco and South Africa Business Areas also saw their respective margins fall. This is easily explained by increased transport and fuel costs and, specifically in the case of South Africa, by the greater weight of these costs on the production and sale of concrete and aggregates as well as the sale of cement that has been imported or not produced with own clinker.

## Operating Cash Flow (EBITDA)

(Million euros)

| Business Areas | 2005 (IFRS) | | 2004 (IFRS) | | Change | |
|---|---|---|---|---|---|---|
| | Amount | Margin | Amount | Margin | Amount | % |
| Portugal | 183.0 | 31.7 % | 176.3 | 31.5 % | 6.7 | 3.8 |
| Spain | 102.9 | 27.6 % | 86.8 | 25.0 % | 16.1 | 18.6 |
| Morocco | 26.2 | 43.3 % | 25.6 | 46.9 % | 0.6 | 2.5 |
| Tunisia | 14.6 | 27.3 % | 16.1 | 30.0 % | - 1.5 | - 9.1 |
| Egypt | 48.5 | 46.7 % | 30.0 | 44.9 % | 18.5 | 61.6 |
| Brazil | 62.9 | 27.7 % | 78.3 | 39.3 % | - 15.4 | - 19.7 |
| Mozambique | 6.8 | 13.4 % | 6.0 | 12.6 % | 0.8 | 13.3 |
| South Africa | 41.9 | 39.8 % | 39.9 | 45.6 % | 2.0 | 5.0 |
| Cape Verde | 1.2 | 9.5 % | - | - | 1.2 | s.s. |
| Trading / Shipping | 8.1 | 6.8 % | 0.9 | 1.5 % | 7.2 | 836.5 |
| Other Activities | - 0.3 | - | - 7.8 | - | 7.6 | n/a |
| **Total** | **495.8** | **32.3 %** | **451.9** | **33.1 %** | **43.9** | **9.7** |

Although Depreciation increased around 19%, the above mentioned growth in EBITDA and decrease in Provisions of more than 10 million euros enabled the Group's Operating Profit (EBIT) to increase approximately 32 million euros (9.9%).

On the other hand, even with a decrease of around 18 million euros in non recurring income, the Net Financial Costs decreased more than 50%, to 3.3 million euros in 2005.

The resulting increase in the Profit before Tax did not translate into an equivalent increase in Net Profit (after Minority Interest) due to the fact that Income Tax increased by almost 23 million euros, due to an increase in taxable profit and to the fact that, for reasons of prudence regarding the recoverability of deferred tax assets, these were not recognised in full.

In 2005, the Group's cement and clinker sales amounted to 19.8 million tons corresponding to an increase of 6.2%. With the exception of Spain (due to the decrease in sales in Andalusia and Extremadura and lower cement exports) and Tunisia (for reasons mentioned above), there was improvement in all the Business Areas. Even in Portugal, where cement consumption decreased for the fourth consecutive year, CIMPOR's turnover increased (2.7%), with clinker exports (totalling almost 1 million tons), more than compensating the market recession.

## Cement and Clinker Sales

(Thousand tons)

| Business Areas | 2005 | 2004 | Change |
|---|---|---|---|
| Portugal | 6,106 | 5,946 | 2.7 % |
| Spain | 4,157 | 4,209 | - 1.2 % |
| Morocco | 959 | 852 | 12.6 % |
| Tunisia | 1,385 | 1,477 | - 6.2 % |
| Egypt | 2,898 | 2,275 | 27.4 % |
| Brazil | 3,796 | 3,442 | 10.3 % |
| Mozambique | 583 | 567 | 2.8 % |
| South Africa | 1,160 | 1,100 | 5.4 % |
| Cape Verde | 119 | - | n/a |
| Subtotal | 21,162 | 19,868 | 6.5 % |
| (Intra-group Sales) | (1,356) | (1,227) | |
| **Consolidated Total** | **19,806** | **18,641** | **6.2 %** |

The increase in Cement and Clinker Sales was particularly significant in the Business Areas of Brazil (+10.3%), Morocco (+12.6%) and Egypt (+27.4%), where there was not only a greater volume of cement sales in the respective markets but also a marked increase in exports.

## Concrete, Aggregates and Mortar Sales

| Product / Business Area | 2005 | 2004 | Change |
|---|---|---|---|
| Concrete (1,000 $m^3$) | | | |
| Portugal | 3,725 | 3,646 | 2.2 % |
| Spain | 2,616 | 2,516 | 3.9 % |
| Other Business Areas | 718 | 511 | 40.7 % |
| **Total** | **7,059** | **6,673** | **5.8 %** |
| Aggregates (1,000 ton) | | | |
| Portugal | 8,806 | 7,610 | 15.7 % |
| Spain | 3,770 | 3,867 | - 2.5 % |
| Other Business Areas | 652 | 421 | 55.0 % |
| **Total** | **13,228** | **11,897** | **11.2 %** |
| Mortars (1,000 ton) | **477** | **490** | **- 2.6 %** |

Sales of ready mix concrete as a whole increased 5.8% driven largely by the acquisition of new plants over the last two years in Brazil and South Africa. There was a more marked increase in sales of aggregates (11.2%) due, not only to a significant increase in production in the Portuguese Business Area (15.7%), but also to the fact that 2005 was the first complete year of aggregates production in South Africa. Sales of Mortar, which were affected negatively by the decrease in the Portugal and Galicia (Spain) markets and the appearance of new operators, decreased around 2.6%.

The Group's Consolidated Turnover in 2005 amounted to 1,535 million euros, clearly up (12.4%) on the previous year. Excluding intra-Group transactions, the Egypt, Brazil, Spain and South Africa Business Areas, all with increases of more than over 25 million euros, Trading / Shipping activities (where turnover more than trebled) and the volume of sales already achieved (in less than one year) in the Cape Verde Business Area (12.5 million euros), contributed significantly to this indicator.

## Contribution to Turnover *

(Million euros)

| | 2005 | | 2004 | | Change | |
|---|---|---|---|---|---|---|
| Business Areas | Amount | % | Amount | % | Amount | % |
| Portugal | 515.5 | 33.6 | 507.4 | 37.2 | 8.1 | 1.6 |
| Spain | 370.9 | 24.2 | 344.5 | 25.2 | 26.4 | 7.7 |
| Morocco | 58.8 | 3.8 | 54.5 | 4.0 | 4.3 | 7.8 |
| Tunisia | 53.4 | 3.5 | 53.6 | 3.9 | - 0.2 | - 0.3 |
| Egypt | 93.4 | 6.1 | 60.1 | 4.4 | 33.3 | 55.4 |
| Brazil | 227.1 | 14.8 | 199.1 | 14.6 | 28.0 | 14.1 |
| Mozambique | 50.5 | 3.3 | 47.3 | 3.5 | 3.3 | 7.0 |
| South Africa | 113.1 | 7.4 | 87.5 | 6.4 | 25.6 | 29.3 |
| Cape Verde | 12.5 | 0.8 | - | - | 12.5 | n/a |
| Trading / Shipping | 39.3 | 2.6 | 11.6 | 0.8 | 27.7 | 239.8 |
| Other Activities | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 | n/a |
| **Consolidated Total** | **1,534.9** | **100.0** | **1,365.6** | **100.0** | **169.2** | **12.4** |

* Excluding Intra-Group transactions

From the end of 2004 to the end of 2005, total Capital Employed increased approximately 266 million euros, based on IFRS, due not only to investments concluded, but also to the impact of the stronger Egyptian and Brazilian currencies against the euro. Although the results of the Brazilian Business Area did not accompany this increase (there was, on the contrary, a significant decrease), return (net of cash taxes) on Capital Employed remained almost the same as the previous year (over 12%).

The Net Financial Debt which, including equivalent items, amounted to 1,318 million euros in December 2004, decreased at the end of 2005 to 1,083 million euros - a decrease of nearly18%, as a result of the cash flow generated in 2005 and the sale of minority participations. Consequently, Net Financial Debt decreased during the period from almost 50% to just over 38% of Capital Employed.

On the other hand, despite the significant size of the dividend paid (approximately 120 million euros), Shareholders' Equity increased 31%, benefiting from the above mentioned currency movements, and ended the year at 1,519 million euros. The impact of these movements, together with the decrease in the result of the Brazilian Business Area, resulted in a return on equity (ROE) of 19.9% corresponding to a decrease of nearly 3.7p.p..

## Capital Employed

(Million euros)

| | **2005** (IFRS) | **2004** (IFRS) | Change | 2004 (PGAAP) |
|---|---|---|---|---|
| Working Capital (net) | 246.6 | 216.8 | 13.8 % | 220.5 |
| Fixed Tangible Assets | 1,471.4 | 1,334.5 | 10.3 % | 1,093.6 |
| Goodwill | 940.6 | 821.0 | 14.6 % | 781.4 |
| Other Assets (net) | (57.8) | (37.0) | s.s. | (35.7) |
| Capital Employed | 2,600.9 | 2,335.3 | 11.4 % | 2,059.9 |
| Current Investments | 96.2 | 129.3 | - 25.6 % | 130.9 |
| Financial Investments | 215.8 | 274.0 | - 21.2 % | 284.6 |
| Other Non-Op. Assets (net.) | (89.9) | (78.4) | s.s. | (78.4) |
| **Capital Employed** | **2,823.0** | **2,660.2** | 6.1 % | **2,396.9** |
| Net Financial Debt | 1,079.4 | 1,312.3 | - 17.7 % | 1,316.8 |
| (Financial Assets available for Sale | (69.2) | (52.3) | s.s. | (52.3) |
| Provisions | 73.2 | 58.4 | 25.3 % | 27.8 |
| Financial Debt and Equivalents | 1,083.3 | 1,318.3 | - 17.8 % | 1,292.3 |
| Shareholder Equity | 1.519.1 | 1,159.2 | 31.0 % | 970.4 |
| Minority Interests | 65.5 | 63.7 | 2.9 % | 76.3 |
| Deferred Tax Liabilities | 44.5 | 8.7 | 411.0 % | (52.2) |
| Provisions for Tax and Others | 110.6 | 110.2 | 0.3 % | 110.2 |
| Equity and Equivalent | 1,739.7 | 1,341.8 | 29.6 % | 1,104.7 |
| **Capital Employed** | **2,823.0** | **2,660.2** | 6.1 % | **2,396.9** |
| Return on Capital Employed | 12.1 % | 12.2 % | | 12.3 % |
| Return on Equity * | 19.9 % | 23.6 % | | 19.3 % |

* Attributable to Shareholders

As a result of the Cash Flow of about 53 million euros (13.3%) generated by current operations and the decrease in the total amount invested in 2005 in relation to 2004, Operating Free Cash Flow increased by more than 130 million euros (86.3%).

Investments concluded this year include the start-up of a new paper bag production line (Portugal), expansion of clinker production capacity at the Asment de Témara plant (Morocco) and acquisition of new concrete plants in Brazil as well as a company for the import, storage, bag filling and distribution of cement in Cape Verde.

As a result of the investment made in Morocco and in some of the plants in Brazil, the CIMPOR Group's total cement production capacity (with own clinker) increased to about 23.9 million tons/year which is expected to maintain the Group in the top ten companies in the sector worldwide.

The above mentioned Free Cash Flow from current operations, together with a significant decrease in minority participations, have resulted in an increase in funds generated to almost 400 million euros, available to service debt and adequately remunerate the shareholders.

### Free Cash Flow

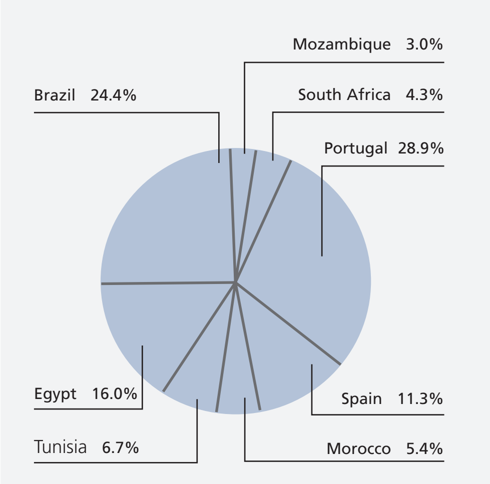
(million euros)

| | 2005 | 2004 |
|---|---|---|
| Adjusted Operated Income | 350.9 | 318.1 |
| (Taxes on Adjusted Operating Income) | (53.0) | (42.6) |
| Adjusted Operating Income Net of Taxes | 297.9 | 275.5 |
| Amortisations and Depreciations | 137.6 | 115.3 |
| Change in Provisions | 16.7 | 8.2 |
| Gross Cash Flow | 452.1 | 399.0 |
| Increase/(Decrease.) in Working Capital | 29.8 | 27.0 |
| Investment (net.) in Goodwill | 11.2 | 20.0 |
| Investment (net) in Tangible Fixed Assets | | |
| Through Acquisitions | 4.5 | 44.6 |
| Others | 144.5 | 128.7 |
| Incr./(Decr) in Other Assets (net of Other Liabilities) | (20.2) | (27.2) |
| Gross Investment | 169.9 | 247.5 |
| Operating Free Cash Flow | 282.3 | 151.5 |
| Other Funds Released (net of Taxes) | 115.4 | (45.1) |
| **Free Cash Flow** | **397.7** | **106.4** |
| Net Financial Costs (net of taxes) | 21.4 | 32.8 |
| (Increase)/Decrease in Net Financial Debt | 245.7 | (40.5) |
| Minority Interests | 10.3 | 7.7 |
| Distributed Income | 120.3 | 113.5 |
| Increase/(Decrease) Sharehold Equity | (2.8) | (1.9) |
| Other Equity and Equiv. Variations | 2.8 | (5.0) |
| **Free Cash Flow** | **397.7** | **106.4** |

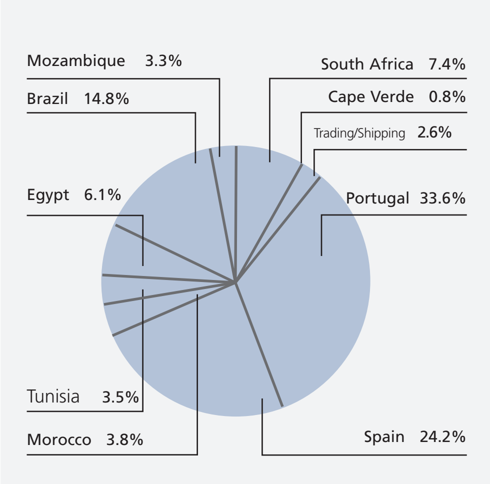
The decrease in Net Financial Debt (including equivalent items) of about 246 million euros absorbed most of these funds, of which nearly 120 million was for the payment of dividends.

## Contribution and Relative Position of the Different Business Areas (2005)

### Breakdown of Installed Cement Capacity

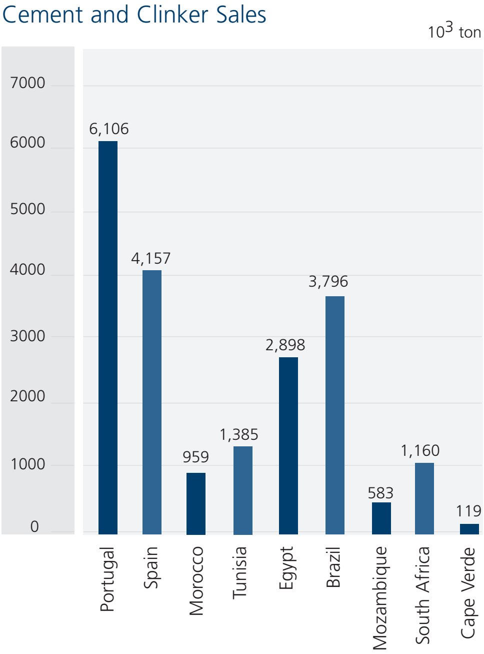



### Contribution to Turnover *

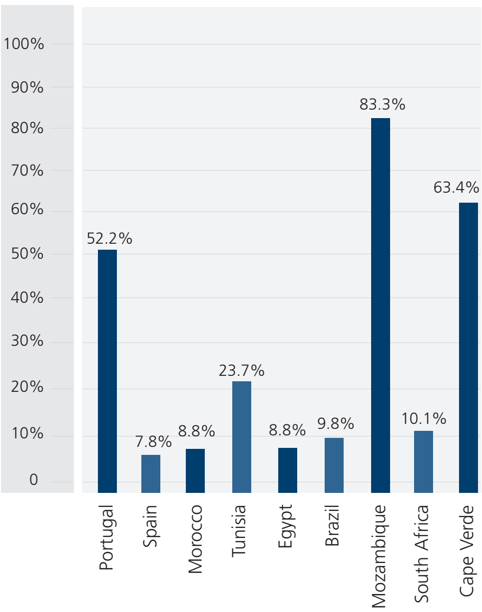



*Excluding intra-group transactions*

### Cement and Clinker Sales

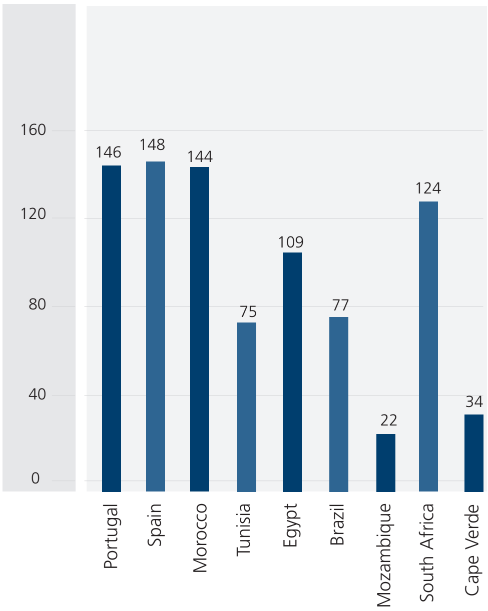



### Cement Market Share

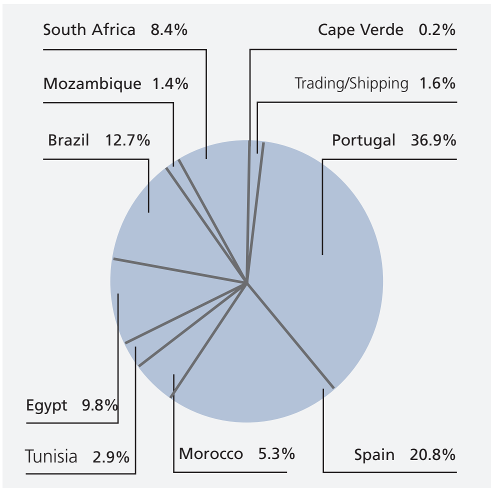


Value Added / Employee

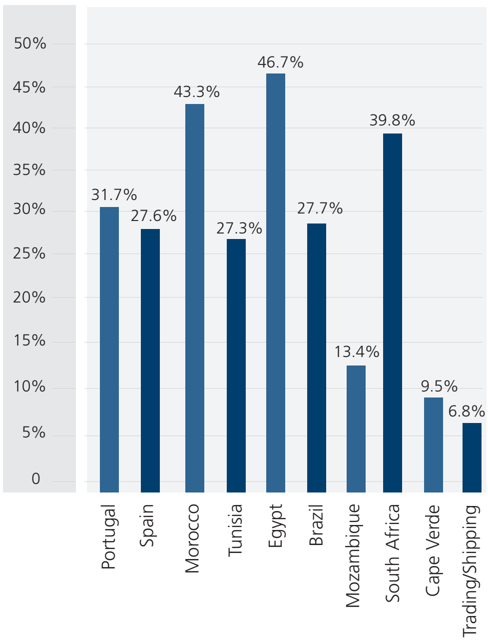
$10^3$ euros



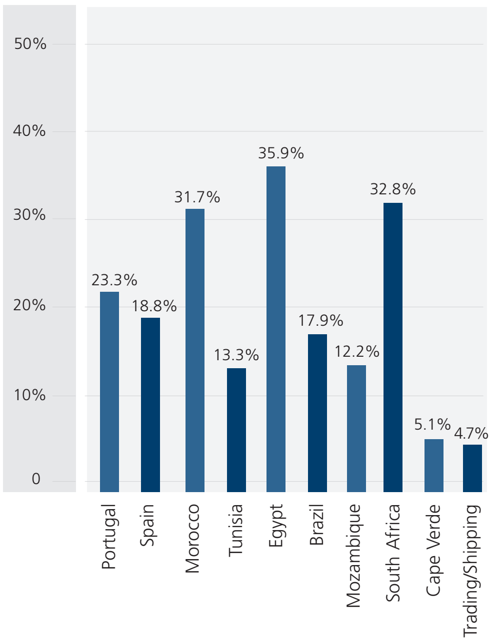

Contribution to Operating Cash Flow




EBITDA Margin




EBIT Margin



## 2.2. Portugal

In 2005, Portugal's overall production in the construction and public works sector fell around 5%, raising the total accumulated decrease to 22% in the last four years. Cement consumption naturally goes along with this evolution with a decrease of approximately 5.7%. Although the decrease has already exceeded the 20% mark in relation to 2001, the Portuguese market (with just over 8.8 million tons per annum) continues to be one of Europe's biggest per capita consumers (840 kg/inhabitant), lower only than Luxemburg, Spain, Ireland and Greece.

CIMPOR's domestic sales (without including cement produced in Spain and then sold in Portugal) fell from 4.8 million tons in 2004 to just over 4.6 million tons in 2005, the 3.5% decrease being less than the average market decrease. The substantial drop in imports (approximately 27%), caused by difficulties in chartering ships and high transport costs, is the main reason for the Group's improved performance, market share having increased by approximately 1.1 p.p. to 52.2%.

### Portugal Business Area

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 6,900 | 7,000 | - 1.4% |
| Use of Installed Capacity (2) | | 91.7% | 87.1% | |
| Cement and Clinker Sales | $10^3$ ton | 6,106 | 5,946 | 2.7% |
| Market Share | | 52.2% | 51.1% | |
| Concrete Sales | $10^3$ $m^3$ | 3,725 | 3,646 | 2.2% |
| Aggregates Sales | $10^3$ ton | 8,806 | 7,610 | 15.7% |
| Mortar Sales | $10^3$ ton | 173 | 184 | - 5.9% |
| Turnover | $10^6$ euros | 576.5 | 560.0 | 3.0% |
| Payroll Expenses | $10^6$ euros | 61.6 | 63.3 | - 2.6% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 183.0 | 176.3 | 3.8% |
| Operating Income (EBIT) | $10^6$ euros | 134.1 | 131.1 | 2.2% |
| Net Income (3) | $10^6$ euros | 126.3 | 126.8 | - 0.4% |
| Capital Employed | $10^6$ euros | 639.1 | 572.7 | 11.6% |
| Industrial Investments | $10^6$ euros | 53.4 | 70.5 | - 24.3% |
| Employees (31 Dec) | Units | 1,662 | 1,666 | - 0.2% |
| Turnover/Employee | $10^3$ euros | 345 | 332 | 4.1% |
| Value Added / Employee | $10^3$ euros | 146 | 142 | 3.2% |
| EBITDA Margin | | 31.7% | 31.5% | |
| EBIT Margin | | 23.3% | 23.4% | |

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

Forced to find alternative markets for its surplus production, CIMPOR increased considerably its trading of both cement and clinker which totalled nearly 1.5 million tons of exports in 2005 (27% more than the previous year). Of this volume, about 800 thousand tons were shipped to the Group's production and sales units in the Spanish region of Andalusia and nearly 300 thousand tons to Nova Cimangola (in which CIMPOR has a 49% participation). Consequently, total sales of cement and clinker produced in

Portugal (6.1 million tons) rose nearly 2.7%, despite the weaker domestic market.

In the concrete sector, although consumption of ready mix industrial concrete produced increased in relation to total cement consumption, the increase in production was no more than 2%. Group sales evolved at about the same rate, exceeding 3.7 million cubic meters which is an annual increase of 2.2%.

CIMPOR sales in the aggregates sector increased significantly (by 15.7%), having totalled 8.8 million tons. In contrast, the Group's mortar sales fell 6.2% to 173 thousand tons due to weaker domestic demand and the appearance of new operators.

Within the CIMPOR Group, Portugal remains the country with the greatest relative importance, although, as in previous years, this decreased significantly from 2004 to 2005: in Turnover (excluding intra-Group transactions), from 37.2% to 33.6%; in Operating Cash Flow from 39.0% to 36.9%; and in percentage of the Group's Operating Income, from 40.5% to 37.7%.

In 2005, Turnover in Portugal amounted to approximately 577 million euros, up (for the first time in three years) in relation to the previous year by about 3%. Both Operating Cash Flow and the respective margin also increased for the first time since 2002: the former rose 3.8%, to 183 million euros; the latter increased slightly (0.2p.p.) to 31.7%.

The investments in 2005 totalling more than 50 million euros, excluding the acquisition of participations in companies within the sector, included a new paper bag production line and the construction of a charcoal storage area at the Alhandra factory.

Following certification of three of CIMPOR Group's Production Centres in Portugal in Environmental Management Systems in 2003, as well as verification of the respective Environmental Declarations, all of them (Loulé and Alhandra in 2005, and Souselas at the start of 2006) have obtained the corresponding registration in EMAS - Eco-Management and Audit Scheme.

## 2.3. Spain

Spain's cement consumption reached another all time high in 2005, totalling nearly 51.5 million tons (7.3% more than the previous year and almost double that of ten years ago). As in previous years, this growth was not uniform and depended largely on the greater or lesser amount invested in the various Autonomous Regions. However, whereas the greatest growth in recent years has been in coastal regions, the central interior stood out most in 2005, due to the slowing of foreign investment in the real estate sector (mainly in coastal regions) and to new vitality of the Madrid Community in the public works and housing areas.

The markets in which the Group operates - with the exception of Extremadura which is estimated to have grown around 22.4% - evolved clearly below the national average: in Andalusia cement production was no more than 10.4 million tons (0.6% up on 2004), while in Galicia consumption dropped to under 2.8 million tons (down 3.1% on 2004).

## Spain Business Area

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 2,700 | 2,680 | 0.7% |
| Use of Installed Capacity (2) | | 96.4% | 99.6% | |
| Cement and Clinker Sales | $10^3$ ton | 4,157 | 4,209 | - 1.2% |
| Market Share | | 7.8% | 8.5% | |
| Concrete Sales | $10^3$ $m^3$ | 2,616 | 2,516 | 3.9% |
| Aggregates Sales | $10^3$ ton | 3,770 | 3,867 | - 2.5% |
| Mortar Sales | $10^3$ ton | 163 | 169 | - 3.7% |
| Turnover | $10^6$ euros | 373.1 | 347.0 | 7.5% |
| Payroll Expenses | $10^6$ euros | 44.1 | 43.4 | 1.6% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 102.9 | 86.8 | 18.6% |
| Operating Income (EBIT) | $10^6$ euros | 70.0 | 58.3 | 20.0% |
| Net Income (3) | $10^6$ euros | 45.6 | 35.6 | 28.0% |
| Capital Employed | $10^6$ euros | 459.0 | 460.3 | - 0.3% |
| Industrial Investments | $10^6$ euros | 19.2 | 29.1 | - 33.9% |
| Employees (31 Dec) | Units | 987 | 1,003 | - 1.6% |
| Turnover/ Employee | $10^3$ euros | 377 | 358 | 5.1% |
| Value Added / Employee | $10^3$ euros | 148 | 134 | 10.5% |
| EBITDA Margin | | 27.6% | 25.0% | |
| EBIT Margin | | 18.8% | 16.8% | |

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

Overall, the CIMPOR Group's cement and clinker sales, including nearly 100,000 tons exported, fell to roughly 4.16 million tons (1.2% down on 2004), as a result of a significant fall in sales (about 7%) in the south, largely due to the appearance of a new competitor in the Badajoz area.

Concrete sales exceeded 2.6 million cubic meters (3.9% more than the previous year), while sales of aggregates fell approximately 2.5% to less than 3.8 million tons due to the continued effects of the accident which occurred at the Andalucia quarry in 2004. Sales of mortar also fell slightly (by 3.7%).

This evolution, generally less favourable in terms of the amount sold, was offset by an almost generalised improvement in sales prices, especially of cement in the south, which resulted in an almost 5% increase in Spain's Turnover and an increase in Operating Cash Flow of more than 16 million euros (18.6%). Consequently, the EBITDA margin increased about 2.6 p.p., from 25.0% in 2004 to 27.6% in 2005.

The main investments included conclusion of the construction of a second dry mortar and screed plant near Santiago de Compostela, the start of the installation of a new aggregates operation in Lugo, and the acquisition of land where the Narón grinding plant is located.

## 2.4. Morocco

Cement consumption in Morocco increased approximately 5.3% in 2005 to almost 10.3 million tons, due to continuation of the national infrastructure building program, improvement of the road network, construction of the new Tangier port and re-launching of the government program to do away with unhealthy housing and the construction of new tourism areas.

**Morocco Business Area**

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 1,245 | 925 | 6.3% |
| Use of Installed Capacity (2) | | 73.7% | 94.0% | |
| Cement and Clinker Sales | $10^3$ ton | 959 | 852 | 12.6% |
| Market Share | | 8.8% | 8.7% | |
| Concrete Sales | $10^3$ $m^3$ | 101,2 | 91,8 | 10.3% |
| Aggregates Sales | $10^3$ ton | 209,2 | 221,1 | - 5.4% |
| Turnover | $10^6$ euros | 60.5 | 54.5 | 11.0% |
| Payroll Expensesl | $10^6$ euros | 4.5 | 4.1 | 7.8% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 26.2 | 25.6 | 2.5% |
| Operating Income (EBIT) | $10^6$ euros | 19.2 | 21.5 | - 10.8% |
| Net Income (3) | $10^6$ euros | 13.6 | 13.1 | 3.3% |
| Capital Employed | $10^6$ euros | 69.9 | 41.1 | 69.9% |
| Industrial Investments | $10^6$ euros | 12.1 | 18.9 | - 35.9% |
| Employees (31 Dec) | Units | 210 | 215 | - 2.3% |
| Turnover / Employee | $10^3$ euros | 284 | 251 | 13.3% |
| Value Added / Employee | $10^3$ euros | 144 | 136 | 5.4% |
| EBITDA Margin | | 43.3% | 46.9% | |
| EBIT Margin | | 31.7% | 39.4% | |

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

Benefiting from the recent increase in production capacity, Asment de Témara's overall sales reached 959,000 tons (12.6% up on the previous year), including nearly 52.5 thousand tons of clinker exported. Concrete sales at Betocim increased 10.3%, passing the 100 thousand cubic metre mark, while the production and sale of aggregates fell 5.4%.

Morocco's consolidated turnover increased around 11%, to over 60 million euros. The significant increase in transport costs, stoppage time required to modify the kiln and problems arising until stabilisation of thereof, prevented Operating Cash Flow from evolving at the same rate. Consequently, growth this year did not exceed 600,000 euros (2.5%), the respective margin falling from 46.9% in 2004 to 43.3% in 2005.

As a result of the significant increase in depreciation, Operating Income was down nearly 11%.

Investment included changes to the production line at Asment de Témara, which resulted in the increase in clinker production capacity from 2,000 to 2,900 tons/day, and the start of works to install two new ready mix concrete plants in Casablanca and Témara.

## 2.5. Tunisia

The consumption of cement and hydraulic lime in Tunisia in 2005 totalled approximately 5.8 million tons, representing a decrease of 1.6% in relation to the preceding year.

### Tunisia Business Area

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 1,600 | 1,600 | 0.0% |
| Use of Installed Capacity (2) | | 80.0% | 89.2% | |
| Cement and Clinker Sales | $10^3$ ton | 1,385 | 1,477 | -6.2% |
| Market Share | | 23.7% | 24.1% | |
| Turnover | $10^6$ euros | 53.4 | 53.6 | - 0.3% |
| Payroll Expenses | $10^6$ euros | 3.4 | 2.9 | 15.2% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 14.6 | 16.1 | - 9.1% |
| Operating Income (EBIT) | $10^6$ euros | 7.1 | 11.1 | - 36.2% |
| Net Income | $10^6$ euros | 7.0 | 9.8 | - 29.0% |
| Capital Employed | $10^6$ euros | 141.8 | 126.5 | 12.2% |
| Industrial Investments | $10^6$ euros | 3.8 | 8.3 | - 53.9% |
| Employees (31 Dec) | Units | 240 | 241 | - 0.4% |
| Turnover / Employee | $10^3$ euros | 222 | 221 | 0.7% |
| Value Added / Employee | $10^3$ euros | 75 | 78 | - 4.4% |
| EBITDA Margin | | 27.3% | 30.0% | |
| EBIT Margin | | 13.3% | 20.8% | |

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

This decrease in the market together with the lack of exports and sales of clinker (45 thousand tons in 2004), as well as operating problems at Ciments de Jbel Oust (CJO), led to a 6.2% drop in sales, which corresponds to a decrease of more than 90 thousand tons.

As in the two previous years, liberalisation of sales prices was again postponed, the government choosing to raise prices by 6%. As there were no significant changes in the exchange rate of the dinar to the euro, CJO's turnover stabilised at approximately the same level as the previous year (just over 53 million euros).

However, the need to buy nearly 100 thousand tons of clinker (due to operating problems with the kiln) and the significant rise in fuel and energy prices more than offset the benefits obtained from using petroleum coke as from the beginning of the year. Consequently, Operating Cash Flow decreased approximately 1.5 million euros (9.1%), with a 2.7 p.p. drop in the respective margin, from 30.0% in 2004 to 27.3% in 2005.

This, together with the increase in depreciation (due to investments completed), resulted in a decrease of nearly 4 million euros (36.2%) in Operating Profit and 2.8 million euros (29.0%) in Net Profit.

## 2.6. Egypt

After two consecutive years in which the Egyptian cement market shrank, there was marked recovery in 2005, with consumption increasing to more than 28 million tons, which is a growth rate of about 20%. On the supply side, for the first time in five years no new operators entered the market (or started new production lines), rather the sector became more concentrated as the Italcementi Group acquired a majority participation in Suez Cement Co. and ASEC Helwan.

Due to the above mentioned growth of domestic demand, cement and clinker exports fell in 2005 by nearly 23.5% (although still exceeding 9 million tons) and the price of cement on the local market was also under pressure due to timely delivery problems of some companies that had assumed heavy export commitments in previous years, resulting in an increase of about 12.5% in prices, close to the levels practiced in the rest of the region.

Therefore, the CIMPOR Group's sales increased more than 27% (29.7% in the domestic market), reaching almost 2.9 million tons. The combined effect of the above mentioned price increase with the strengthening of the Egyptian pound against the euro, resulted in an increase of approximately 55% in turnover, to more than 100 million euros.

Operating Cash Flow increased from 30.0 to 48.5 million euros (more than 60%), the EBITDA Margin increasing from 44.9% in 2004 to 46.7% in 2005. This improved performance, together with a decrease in provisions and financial charges in the Egypt Business Area led, in turn, to a significant increase in Net Income (before Minority Interest) to nearly 34 million euros (compared to just 7.7 million euros in 2004).

The CIMPOR Group set up a new company in Egypt called Amreyah Dekheila Terminal Company with head office in the port of Dekheila (under the special "Free Zone" regime), to operate in the import and export logistics area for several products and materials (e.g. cement, clinker and paper) including their storage.

### Egypt Business Area

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 3,810 | 3,660 | 4.1% |
| Use of Installed Capacity (2) | | 78.6% | 62.5% | |
| Cement and Clinker Sales | $10^3$ ton | 2,898 | 2,275 | 27.4% |
| Market Share | | 8.8% | 8.2% | |
| Turnover | $10^6$ euros | 103.9 | 66.8 | 55.5% |
| Payroll Expenses | $10^6$ euros | 2.6 | 2.2 | 19.3% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 48.5 | 30.0 | 61.6% |
| Operating Income (EBIT) | $10^6$ euros | 37.3 | 11.9 | 214.5% |
| Net Income (3) | $10^6$ euros | 33.8 | 7.7 | 336.5% |
| Capital Employed | $10^6$ euros | 255.8 | 209.0 | 22.4% |
| Industrial Investments | $10^6$ euros | 2.2 | 7.7 | - 71.2% |
| Employees (31 Dec) | Units | 483 | 471 | 2.5% |
| Turnover / Employee | $10^3$ euros | 222 | 135 | 64.7% |
| Value Added / Employee | $10^3$ euros | 109 | 65 | 68.1% |
| EBITDA Margin | | 46.7% | 44.9% | |
| EBIT Margin | | 35.9% | 17.8% | |

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

In addition to this investment, investments include: conclusion and recovery of the polar storage of clinker at Amreyah Cement Company (AMCC); remodelling of the Laboratory facilities (with the acquisition of new equipment) and of the Central Control, Investment and Technical Maintenance Support Department buildings; rehabilitation of AMCC's packing machines; completion of works to adapt the new administrative offices in Alexandria; and start of construction of a paper bag factory (with an annual production capacity of 45 million bags) to be operated by Cimpor Sacs Manufacture Company (Cimpsac) as from 2007.

## 2.7. Brazil

After growth of 5.4% in 2004, the Brazilian construction and public works sector grew only 1.5% in 2005 as a result of the rise in interest rates and postponement of significant state projects. However, despite a decrease in the South of the country, total cement consumption increased more than 6%, with the North and Central West regions having increases of approximately 9%.

The downward trend in cement prices, which began in 2004, became more marked in 2005, particularly in the South East and Central West regions, the annual average local currency price in the specific case of the CIMPOR Group having fallen nearly 17% (almost 30% in total over the last two years).

The Group's sales in the domestic market (3.6 million tons) increased slightly more than the latter which, together with an increase in exports of about 116 millions, resulted in an overall increase of 10.3% in total cement sales. There was also a marked increase in the production and sale of ready mix concrete (45.9%), exceeding 500 thousand cubic meters, supported by the three new plants acquired at the end of 2004 and integration of four more plants in 2005.

**Brazil Business Area**

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 5,745 | 5,625 | 2.1% |
| Use of Installed Capacity (2) | | 63.9% | 57.6% | |
| Cement Sales | $10^3$ ton | 3,796 | 3,442 | 10.3% |
| Market Share | | 9.8% | 9.7% | |
| Concrete Sales | $10^3$ $m^3$ | 502 | 344 | 45.9% |
| Mortar Sales | $10^3$ ton | 140 | 136 | 3.2% |
| Turnover | $10^6$ euros | 227.1 | 199.1 | 14.1% |
| Payroll Expenses | $10^6$ euros | 24.0 | 17.0 | 41.5% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 62.9 | 78.3 | - 19.7% |
| Operating Income (EBIT) | $10^6$ euros | 40.7 | 63.9 | - 36.3% |
| Net Income | $10^6$ euros | 56.1 | 65.6 | - 14.5% |
| Capital Employed | $10^6$ euros | 827.4 | 668.3 | 23.8% |
| Industrial Investments | $10^6$ euros | 13.6 | 7.8 | 74.9% |
| Employees (31 Dec) | Units | 1,180 | 1,128 | 4.6% |
| Turnover / Employee | $10^3$ euros | 201 | 185 | 8.5% |
| Value Added / Employee | $10^3$ euros | 77 | 89 | - 13.3% |
| EBITDA Margin | | 27.7% | 39.3% | |
| EBIT Margin | | 17.9% | 32.1% | |

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

This increased activity, together with the strengthening of the local currency against the euro, more than offset the negative effect of the fall in prices (also, although to a lesser extent, in the concrete sector) and resulted in an increase of approximately 14% in turnover. However, the effect of these factors on total operating costs - despite the decrease in the clinker incorporation rate and savings in energy and fuel consumption - caused Operating Cash Flow to decrease nearly 20% (63 million euros compared to over 78 million euros in the previous year) and Operating Profit to decrease more than 36%. The effect of lower sales prices was also very visible in the decreased EBITDA (from 39.3% in 2004 to just 27.7% in 2005) and EBIT (more than 14 p.p.) margins.

Despite this, the decrease in the Brazil Business Area's Net Profit was not more than 9.5 million euros thanks to the increase in Financial Income and a significant decrease in Income Tax (as a result of operations to optimized tax over the last two years).

In addition to the acquisition of new ready mix concrete plants and the renewal of some mobile equipment used in this activity, investments included works at the Cajati plant which, together with a significant reduction in the clinker incorporation rate at the Goiás plant, resulted in an increase of nearly 200 thousand tons/year in the cement production capacity (with own clinker).

## 2.8. Mozambique

Cement consumption in Mozambique is expected to have increased around 6%, exceeding 700 thousand tons for the first time. However, sales of Cimentos de Moçambique increased only 2.8% to 583 mil tons as a result of the start-up of a competitor's grinding operation in the Nacala region.

The increase in sales of ready mix concrete (to under 55 thousand cubic metres) was also modest, not exceeding 3%.

**Mozambique Business Area**

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 730 | 725 | 0.7% |
| Use of Installed Capacity (2) | | 35.5% | 41.1% | |
| Cement Sales | $10^3$ ton | 583 | 567 | 2.8% |
| Market Share | | 83.3% | 85.8% | |
| Concrete Sales | $10^3$ $m^3$ | 54.7 | 53.2 | 3.0% |
| Turnover | $10^6$ euros | 50.5 | 47.3 | 6.9% |
| Payroll Expenses | $10^6$ euros | 3.7 | 3.8 | - 2.5% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 6.8 | 6.0 | 13.3% |
| Operating Income (EBIT) | $10^6$ euros | 6.2 | 4.3 | 42.2% |
| Net Income (3) | $10^6$ euros | 4.4 | - 0.2 | s.s. |
| Capital Employed | $10^6$ euros | 21.2 | 21.8 | - 2.6% |
| Industrial Investments | $10^6$ euros | 2.4 | 1.9 | 26.1% |
| Employees (31 Dec) | Units | 470 | 487 | - 3.5% |
| Turnover / Employee | $10^3$ euros | 106 | 94 | 12.7% |
| Value Added / Employee | $10^3$ euros | 22 | 19 | 13.0% |
| EBITDA Margin | | 13.4% | 12.6% | |
| EBIT Margin | | 12.2% | 9.2% | |

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

However, the increase in sales prices (except in the Nacala region) meant that, despite the weakening of the metical, turnover increased to 50.5 million euros (6.9% up on 2004) and Operating Cash Flow rose 13.3% to 6.8 million euros. Operating Cash Flow was only not greater because the Matola plant had to import 100 thousand tons of clinker due to its continued operating problems. Nevertheless, the EBITDA Margin increased approximately 0.8 p.p. to 13.4%.

The main investments in 2005 include: works undertaken at the Matola plant in an attempt to overcome the above mentioned problems, the start of works to update the whole cement extraction, transport, packaging and dispatch system in this unit, the setting up of a new head office and upgrade of the Nacala grinding mill. In the meantime, studies on the viability of reactivating the clinker production line in the Dondo unit (as an alternative to building a new line) have also begun.

## 2.9. South Africa

The civil construction and public works sector in South Africa, continued to be very active, boosted by an expanding housing market, the building of bridges, hospitals, schools and new airports, the rehabilitation of roads and railways, the construction of dams and improvements to various port facilities. This has resulted in cement consumption in 2005 increasing more than 11%, reaching nearly 11.5 million tons. In the KwaZulu-Natal province, where the Group operates through Natal Portland Cement (NPC), the market was even more favourably, with consumption increasing approximately 15% to 1.8 million tons.

### South Africa Business Area

| | Unit | 2005 | 2004 | Chg. |
|---|---|---|---|---|
| Installed Capacity (1) | $10^3$ ton | 1,020 | 1,025 | - 0.5% |
| Use of Installed Capacity (2) | | 91.4% | 96.6% | |
| Cement Sales | $10^3$ ton | 1,160 | 1,100 | 5.4% |
| Market Share | | 10.1% | 10.7% | |
| Concrete Sales | $10^3$ $m^3$ | 60.5 | 21.7 | 179.0% |
| Aggregates Sales | $10^3$ ton | 442.9 | 199.6 | 121.9% |
| Turnover | $10^6$ euros | 105.4 | 87.5 | 20.4% |
| Payroll Expenses | $10^6$ euros | 9.3 | 7.5 | 24.1% |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 41.9 | 39.9 | 5.0% |
| Operating Income (EBIT) | $10^6$ euros | 34.6 | 33.4 | 3.6% |
| Net Income | $10^6$ euros | 23.8 | 23.3 | 1.9% |
| Capital Employed | $10^6$ euros | 196.2 | 166.9 | 17.5% |
| Industrial Investments | $10^6$ euros | 11.6 | 2.3 | 404.1% |
| Employees (31 Dec) | Units | 416 | 406 | 2.5% |
| Turnover / Employee | $10^3$ euros | 254 | 244 | 4.2% |
| Value Added / Employee | $10^3$ euros | 124 | 132 | - 6.5% |
| EBITDA Margin | | 39.8% | 45.6% | |
| EBIT Margin | | 32.8% | 38.2% | |

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

NPC's sales were limited by its production capacity. Although the company's production was again at a record level, it was not able to exceed 1.16 million tons (5.4% up on the previous year), resulting, as in 2004, in a slight drop in market share.

Concrete and aggregates sales were particularly strong in the first operating year of this sector, concrete sales exceeding 60 thousand cubic meters (an increase of 179%) and aggregates sales being close to 443 thousand tons (an increase of 122%).

Consolidated Turnover in South Africa totalled 105.4 million euros, up 20.4% on the previous year. Due to the increased need to import clinker and cement to cope with the market growth, Operating Cash Flow rose only 5.0%, totalling approximately 42 million euros. Consequently, the respective margin fell from 45.6% in 2004 to 39.8% in 2005.

Investments made on a new grinding mill at the Simuma plant and the construction of a second clinker production line, will increase cement production capacity with own clinker by over 50%.

## 2.10. Cape Verde

The Group began operating in Cape Verde in April 2005 with the acquisition of almost all the share capital of Cimentos de Cabo Verde, S.A. (CCV) - a cement import, storage, packing and shipping company.

In these nine months CCV sold almost 120 thousand tons of cement - corresponding to an estimated market share of over 60% - with turnover of 12.5 million euros and Operating Cash Flow of nearly 1.2 million (and in a margin of roughly 9.5%).

### Cape Verde Business Area

| | Unit | 2005(1) |
|---|---|---|
| Cement Sales | $10^3$ ton | 119 |
| Market Share | | 63.4% |
| Turnover | $10^6$ euros | 12.5 |
| Payroll Expenses | $10^6$ euros | 0.5 |
| Operating Cash Flow (EBITDA) | $10^6$ euros | 1.2 |
| Operating Income (EBIT) | $10^6$ euros | 0.6 |
| Net Income | $10^6$ euros | 0.4 |
| Capital Employed | $10^6$ euros | 10.8 |
| Industrial Investments | $10^6$ euros | 0.4 |
| Employees (31 Dec) | Units | 64 |
| Turnover / Employee | $10^3$ euros | 194 |
| Value Added / Employee | $10^3$ euros | 26 |
| EBITDA Margin | | 9.5% |
| EBIT Margin | | 5.1% |

(1) April to December

## 3. CIMPOR TEC's Business

CIMPOR TEC - Engenharia e Serviços Técnicos de Apoio à Gestão, S.A. started operating on 1st January 2005, having in its first operating year achieved in full all its proposed targets.

The targets include the preparation of an "Annual Benchmarking Programme" by the "Industrial Performances and Best Practices" area, under which about two hundred key indicators aimed at measuring the performance of each Operating Unit in all the CIMPOR Group's Business Areas are compared.

These indicators start by being subject to analysis, treatment and validation so that they can be introduced into a vast data base that will enable comparisons to be made between plants with similar characteristics i.e. size, production process, type of equipment and geo-economic location. Following this comparison, and identification of the indicators that can be improved, the heads of the operating units, with support from CIMPOR TEC and help from the respective Industrial Departments, identify priority lines of action, defining for each a set of measures to be taken over the following three years in a plan called the "Performance Improvement Plan".

The "Investments, Engineering, Equipment and Safety" area concentrated its activity on the following projects:

- Dosing of the products so as to significantly reduce the presence of Chromium$^{6+}$, in compliance with community legislation transposed into Portuguese and Spanish law;
- Technical assistance for investments in progress in the Simuma plant (South Africa), comprising the building of a grinding mill, a silo and packaging and shipping facilities for cement (totalling approximately 30 million euros);
- Support in negotiating a contract to supply and build a new clinker production line also in Simuma with a 1,500 ton/day capacity (which may be duplicated if justified by market evolution) at a total cost of around 65 million euros;
- Technical assistance in works to automate and rehabilitate mechanically and electrically one of the Amreyah production lines (Egypt), with an estimated cost of 17 million euros;
- Complete coordination of a project to install a facility to receive and store solid fuel in the Alhandra cement plant (Portugal);
- Preparation of plans and definition of the equipment required to receive and burn alternative fuels - namely animal and vegetable biomass, tyres, "packaging derived fuels" and "fluff" of end-of-life cars - at the Alhandra and Loulé operating units;
- Preparation of technical viability studies on increasing the clinker production capacity of the Dondo unit (Mozambique).

In the Central Laboratory area, after the quality control program for cement produced was extended to Spain, the same process was taken to the Morocco and Egypt plants. Also in this area - "Products & Quality/Technical Training - an ambitious training program for the younger personnel of the Group's operating units, covering a range of matters of importance to the cement business, was started.

Also, so as to stimulate innovation CIMPOR TEC has been publishing a monthly Technical Bulletin, covering up-to-date questions on cement technology and the Group's concerns regarding Sustainable Development. The Bulletin also presents a series of Case Studies with a view to sharing and disseminating what are considered to be best practices within the Group.

## 4. Sustainability and Social Responsibility

As stressed in Reports in previous years, CIMPOR firmly believes in the concept of Sustainable Development - a means of ensuring that the economic, environmental and social concerns underlying its operations are treated on the same level - having in 1997 joined the WBCSD - World Business Council for Sustainable Development.

In 1999, CIMPOR was one of the world's ten leading cement companies that launched the project known as CSI - Cement Sustainability Initiative, having participated actively in this project since then. More specifically, through launching, in July 2002, a five year action plan - Our Agenda for Action - which identifies six key areas for this business activity to progress towards a more sustainable society:

- Climate protection and management of $CO_2$ emissions;
- Responsible use of raw materials and fuels;
- Worker safety and health;
- Emission monitoring and disclosure;
- Impact from land use and on local communities;
- Reporting and communication.

The CIMPOR Group's recently published 2nd Sustainability Report makes extensive reference to these matters, in particular to the Group's environmental and social performance, which the Shareholders are encouraged to read (available on the site www.cimpor.pt).

Given its importance, $CO_2$ emission management merits special mention and up-dating.

Following approval by the Portuguese and Spanish authorities of the quantity of carbon dioxide Emission Allowances allocated to each Group plant, CIMPOR conducted important preparatory work in 2005 on the $CO_2$ emission information and reporting systems in its industrial units, with a view to having these confirmed by external auditors at the start of 2006 (in accordance with Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003, establishing a scheme for Greenhouse Gas Emission Licence trading within the Community).

The table below shows the amounts of the annual $CO_2$ emission licences attributed to the Group's units covered by the Directive, as well as the actual emissions and the difference between the two.

Given the overall deficit of approximately 19 thousand emission rights shown in the table and considering the different situations in the two countries, it was decided to acquire 25 thousand rights in the market for the Alhandra Production Centre and to sign a promissory contract to purchase a further 60 thousand rights between the Group companies, Cementos Cosmos, S.A. (Spain) and CIMPOR - Indústria de Cimentos, S.A. (Portugal).

**$CO_2$ Emission Rights (2005)**

| Plant | Allowances | Emissions Recorded | Difference |
|---|---|---|---|
| Portugal | | | |
| Souselas | 1,719,333 | 1,702,804 | 16,529 |
| Alhandra | 1,736,995 | 1,841,897 | - 104,902 |
| Loulé | 509,112 | 510,379 | - 1,267 |
| Cabo Mondego | 49,839 | 51,312 | - 1,473 |
| **Portugal Total** | **4,015,279** | **4,106,392** | **- 91,113** |
| Spain | | | |
| Toral de los Vados | 722,824 | 672,477 | 50,347 |
| Oural | 380,866 | 334,341 | 46,525 |
| Córdoba | 411,749 | 415,652 | -3,903 |
| Niebla | 258,451 | 279,530 | - 21,079 |
| **Spain Total** | **1,773,890** | **1,702,000** | **71,890** |
| **Overall Total** | **5,789,169** | **5,808,392** | **- 19,223** |

In this area of concern there have also been a number of other developments during this period, more specifically, the Portuguese authority's concession of Installation Licences for the recovery of energy from certain kinds of waste - including vegetable biomass and animal biomass (animal meal) - in the Alhandra and Loulé Production Centres. Their use as substitute fuel in the near future (expected to be in 2006) will reduce $CO_2$ emissions given that, in accordance with a Decision of the European Commission of 29th January 2004 - which establishes guidelines for monitoring and reporting greenhouse gas emissions - carbon dioxide emissions originating from biomass are exempt.

## 5. Human Resources

The CIMPOR Group's Human Resources policy is shaped by social responsibility and by the environment in the countries where it operates, the policies being defined along strategic guidelines coherent with the Group's global policy and adapted to the local conditions and culture. The principal objectives of the Human Resources department are to identify and develop the potential of its personnel, to encourage better performance, to integrate and share accumulated knowledge and experience and to ensure the employability of all those who are currently part of the Group.

The care that has gone into Human Resources Management has proved to be essential for the sustained success of CIMPOR's internationalisation strategy. The Group's growth, and consequent geographic dispersion and language differences, has had a notable impact on the number, composition and nationality of its personnel. This has meant that the organisation and, in particular, the management of Human Resources, has had to apply a policy of transferring personnel between different countries that will foster the spread and sharing of CIMPOR's corporate values and culture and, at the same time, to provide new international career opportunities. As a result of the Group's growing personnel mobility, international experience has become one of the main motivating factors behind career development and is an efficient means of using the individual skills and talents of employees with greater potential.

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

| | 2005 | 2004 | Chg. |
|---|---|---|---|
| Central Services (2) | 113 | 86 | 31.4 % |
| Trading | 2 | 3 | - 33.3 % |
| Portugal | 1,662 | 1,666 | - 0.2 % |
| Spain | 987 | 1,003 | - 1.6 % |
| Morocco | 210 | 215 | - 2.3 % |
| Tunisia | 240 | 241 | - 0.4 % |
| Egypt | 483 | 471 | 2.5 % |
| Brazil | 1,180 | 1,128 | 4.6 % |
| Mozambique | 470 | 487 | - 3.5 % |
| South Africa | 416 | 406 | 2.5 % |
| Cape Verde | 64 | - | n/a |
| **Total** | **5,827** | **5,706** | **2.1 %** |

(1) From companies included in the consolidation (including casual / contracted employees)

(2) Holding. CIMPOR Inversiones. CIMPOR Internacional and CIMPOR Tec

Mainly as a result of the Group's enlargement to Cape Verde and the acquisition of new concrete plants in Brazil, the number of CIMPOR employees increased in 2005 by nearly 2.1% to a total (including casual and term contract employees) of 5,827 (121 more than at 31st December 2004).

Continued efforts to centralise some of the Group's support services, transferring to it employees who, from an organisation perspective, had been assigned to different operating areas, resulted in an increase in the number of employees included in the so-called "Common Services", which, based on a comprehensive collection and analysis of best practices within the Group, has facilitated their replication in each process, thereby providing substantial productivity gains.

At the same time, plans continued to rejuvenate the workforce through an analysis of the Group's mid-term management and operating needs. Particular attention was paid to definition of competence profiles for the different areas, improvement of evaluation techniques for potential candidates and the creation of a suitable integration programme.

**Evolution of the Number of Employees per Activity (31 Dec)**

| | 2005 | | 2004 | | |
|---|---|---|---|---|---|
| | Number | % | Number | % | Chg. |
| Operational Activities | | | | | |
| Cement | 3,665 | 62.9 | 3,708 | 65.0 | - 1.2 % |
| Concrete and Aggregates | 1,493 | 25.6 | 1,404 | 24.6 | 6.3 % |
| Mortars | 63 | 1.1 | 56 | 1.0 | 12.5 % |
| Other Activities | 208 | 3.6 | 217 | 3.8 | - 4.1 % |
| Common Services | 398 | 6.8 | 321 | 5.6 | 24.0 % |
| **Total** | **5,827** | **100.0** | **5,706** | **100.0** | **2.1 %** |

This effort to rejuvenate the workforce is a complement to the methodology which has been followed in Portugal for a number of years - the Grant to Technical Personnel - which in 2005 was extended to the financial area. In 2005, twenty five new graduates (19 in Engineering, 2 in Geology and 4 in Management) from Portugal, Spain, Brazil, Egypt, Tunisia and Mozambique joined this training program which lasts about two years.

Another key component of Human Resources management that continued to be the focus of attention over the last year is the “Succession and Career management Plan”, which aims at satisfying the Group's needs and providing CIMPOR employees with an attractive and challenging career.

Investment in training was stepped up substantially with the start of the “Technical Training Plan” in the cement production area in all the countries where the Group operates. This Plan aims to respond to the specific needs of the Business Areas and focuses essentially on the organisation and systematisation of the Group's technical know-how in this activity and the exchange of acquired knowledge within the Group. In addition, greater emphasis has been given to “Occupational Safety and Health” where both the number of training hours and participants doubled.

CIMPOR continues its constant concern to furnish the Group with employees that are motivated and committed to its organisational goals, mission and strategic vision, as well as to develop their individual competencies.

# 6. Financial and Risk Management Policy

## 6.1. Financial Debt Management

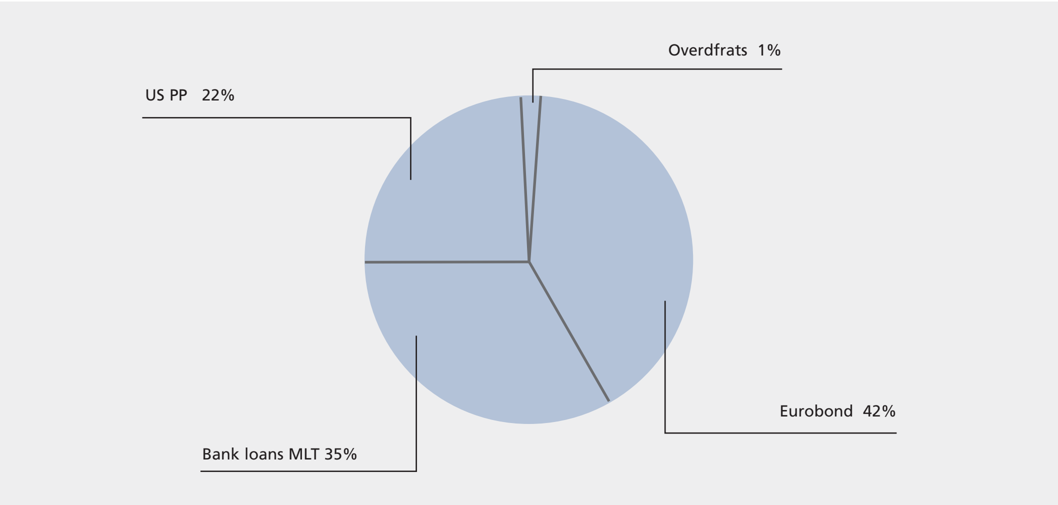
As there were no significant acquisitions in 2005, the Group's financial debt management focussed essentially on restructuring some previously contracted operations, benefiting from the favourable evolution of some credit spreads.

Consequently, a 400 million euro Credit Agreement was negotiated with Banco Santander Totta, to refinance, under favourable conditions, some short term loans and repay early the full amount of a 300 million euro Syndicated Loan of taken out in 2003.

In addition, renegotiation of the short term credit lines of CIMPOR Inversiones e a Corporación Noroeste, in Spain, resulted in better financial conditions and an increase in the corresponding ceiling (to 180 million euros). These credit lines are an important source of funding to meet the Group's short term financial commitments and to finance other Group companies.

Also in relation to short term debt management, the Commercial Paper Programs of the holding company and CIMPOR Indústria (totalling 300 million euros) were maintained, their risk rating becoming indexed to the Standard&Poor international rating in place of the usual Portuguese Rating Company rating. These programs, together with the cash-pooling system, continue to be fundamental short term instruments for all the Group's companies in Portugal.

At the end of the year, the Group had a consolidated net financial debt of 1,079 million euros, nearly 233 million euros less than at the end of 2004. Gross indebtedness amounted to 1,496 million euros, broken down into the following markets:




Management of the Group's foreign financial vehicles- CIMPOR Financial Operations, B.V. (Holland) and CIMPOR Finance Limited (Ireland) - continued as normal. The former continued to play an important role in obtaining funds in the international market, and the latter to efficiently allocate those funds to the companies needing them to maintain their current or investment activities.

The credit conditions underlying the refinancing carried out during the year allowed the Group to keep financial costs at appropriate levels. This, combined with the Group's good operating performance, enabled all financial covenants established in the contracts in force to be met. However, as a result of the lower operating margins in 2004, this was not enough to prevent the Standard&Poor long term rating to be downgraded from BBB+ (with negative outlook) to BBB (with stable outlook).

Following is a table summarising the Group's main financial operations included in its consolidated liabilities:

### Financial indebtedness as of 31 December 2005

| Financing | Curr. | Amount ($10^3$) | Start | Maturity | Interest rate |
|---|---|---|---|---|---|
| **Holding** | | | | | |
| Bilateral Loan | EUR | 5,000 | Mar 2005 | Jun 2008 | Euribor + 0.275% |
| Subsidised Financing | EUR | 249 | Oct 2002 | Jul 2006 | 0.000% |
| Total | EUR | 5,249 | | | |
| **CIMPOR Inversiones** | | | | | |
| Bilateral Loan | EUR | 387,500 | Mar 2005 | Jun 2008 | Euribor + 0.275% |
| **CIMPOR B,V,** | | | | | |
| Eurobonds | EUR | 600,000 | May 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 | 15,194 | | | |
| Total | EUR | 959,904 | | | |
| **Portugal** | | | | | |
| CIMPOR Indústria | | | | | |
| BEI Financing | EUR | 60,000 | Sept 2003 | Sept 2015 | EIB Basic Rate |
| Subsidised Financing | EUR | 6,968 | Oct 2001 | Oct 2007 | 0.000% |
| Subtotal | EUR | 66,968 | | | |
| Other Companies | | | | | |
| Bilateral Loan | EUR | 625 | Apr 2001 | Apr 2006 | Euribor + 0.575% |
| Miscellaneous Financing | EUR | 2,519 | - | - | - |
| Subtotal | EUR | 3,144 | | | |
| Total | EUR | 70,112 | | | |
| **Spain** | | | | | |
| Miscellaneous Fin, | EUR | 3,597 | - | - | - |
| Overdrafts | EUR | 6,875 | - | - | - |
| Total | EUR | 10,472 | | | |
| **Brazil** | | | | | |
| Miscellaneous Fin, | BRL | 36,802 | - | - | - |
| Subsidised Loan | BRL | 3,773 | - | - | 2.400% |
| Total | EUR | 14,787 | | | |
| **Morocco** | | | | | |
| Overdrafts | MAD | 82,132 | - | - | - |
| Total | EUR | 7,538 | | | |
| **Egypt** | | | | | |
| Amreyah | | | | | |
| Bilateral Loan | EGP | 128,042 | Dec 2002 | Dec 2009 | Caibor + 1.125% |
| Bilateral Loan | EGP | 512 | Jan 1980 | Jun 2006 | 11.700% |
| Subtotal | EUR | 18,989 | | | |
| Amreyah Cimpor | | | | | |
| Bilateral Loan | EUR | 15,625 | Sept 2003 | Jan 2008 | Euribor + 1.500% |
| Total | EUR | 34,614 | | | |

| Financing | Curr. | Amount ($10^3$) | Start | Maturity | Interest rate |
|---|---|---|---|---|---|
| **Mozambique** | | | | | |
| Miscellaneous Fin, | USD | 70 | - | - | - |
| Bond Debt | MZM | 118,999,980 | Dec 2004 | Jun 2007 | TAM + 5.250% |
| Total | EUR | 4,305 | | | |
| **South Africa** | | | | | |
| Overdrafts | ZAR | 2,024 | - | - | - |
| Leasings | ZAR | 560 | - | - | - |
| Total | EUR | 346 | | | |
| **Cape Verde** | | | | | |
| Bilateral Loan | EUR | 561 | Nov 2003 | Dec 2013 | Euribor + 2.500% |
| Overdrafts | CVE | 14,164 | - | - | - |
| Total | EUR | 689 | | | |
| **Group Total** | EUR | 1,495,516 | | | |

## 6.2. Risk Management Policy

### 6.2.1. Financial Risk Management

The CIMPOR Group's operations are exposed to exchange rate risk resulting from changes in the exchange rate of the currencies of the countries in which it operates, as well as to interest rate risk due to changes in the euro and dollar interest rates, the main currencies comprising its indebtedness.

The Group's policies to manage these risks continue to be based on the following principles:

- The contracting of derivative products only to cover financial risks inherent to specific assets and/or liabilities, or when anticipating future operations, and never for 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 the local currency of the countries in which the Group operates;
- Centralisation of all risk management in the holding company, which analyses, approves (Executive Committee), conducts and monitors the operations (Financial Operations Area of the Corporate Centre);
- Ongoing monitoring of the risk and respective cost, relating to operations contracted, by calculating their market value and analysing market value sensitivity to changes in the main variables.

Since 2003, the Group has taken several initiatives to improve its derivative portfolio management and to be prepared to fully implement the new accounting regulations (IAS 39) applicable to financial instruments, which are mandatory as from January 2005. Once the accounting impact of the new regulations was understood it was carefully assessed in terms of the Group's results and equity, and additional tools were developed to manage the interest derivatives portfolio. These tools were improved and applied throughout the financial year.

Among these tools, one significant 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 not only provides an ongoing analysis of the portfolio but also evaluates the extent to which that impact may be diminished by contracting certain operations.

The following main exchange-rate risk hedging operations existed at the start of the year or were carried out during the year:

- The Group maintained two cross currency swaps (USD/EUR) associated to the Private Placements issued in June 2003 in the North American market, in the amount of 404 million dollars;
- Offshore hedging of about one third (150 million dollars) of the capital invested in Brazil and approximately 50% (9.5 million dollars) of the net profit expected from the South Africa Business Area.

In the interest rate risk area, the Group continued its dynamic management of the derivatives portfolio in order to maintain a comfortably split of debt between fixed and variable interest rates, minimize overall cost and balance the cash flow / market value ratio. Therefore, as in the previous year, two hedging operations, in the amount of 466 million euros (notional value), were restructured to reduce volatility implicit in their respective market values.

### 6.2.2. Asset Risk Management

In 2005, despite the main companies involved in the renegotiation process of the CIMPOR Group's global insurance policies continuing to present very demanding conditions to remain in the programs, substantial reductions were obtained in the premiums relating to material damage and third party liability policies.

The operating risk management policy was not changed, self-insurance being maintained at the same level as in the previous years and “large risks” being insured with international insurance companies.

The Group's “captive” reinsurance company - CIMPOR Reinsurance, with registered office in Luxemburg - continued to be directly liable for material damage and mechanical failure with an indemnity ceiling of two million euros, and for product and third party liability risks with an indemnity ceiling of two hundred and fifty thousand euros. The excess over these ceilings continued to be covered in the international reinsurance market.

A “captive” insurance company in the CIMPOR Group not only rationalises the management of operating and asset risks, thereby minimising the corresponding costs, but also generates financial benefits by making the premiums received from the various Business Areas available to financing the Group companies.

In 2005 overall third party liability insurance of Group's managers and directors was also renegotiated, it being possible, despite the difficult market conditions, to maintain the same coverage as in previous years while reducing the respective premium.

Personal, vehicle and other miscellaneous insurance cover required by the Business Areas was maintained with local insurance companies, due to the specific laws in each country and the contractual conditions of the respective employees.

The Corporate Centre took measures to optimise the Group's operating and asset risk management and control, including the identification of material, technical and human resources subject to risk, analysis and assessment of their level of exposure to these risks, evaluating foreseeable losses in case of accident and weighing up the various alternatives that, at any given moment, are regarded as the most suitable for risk coverage.

## 7. Information Technology

Information Technology activity in 2005 was part of CIMPOR's longstanding strategy to standardise, whenever possible, the information solutions adopted by the Group companies. Therefore, after the start up, in 2004, of the projects to install the SAP R/3 solution in NPC (South Africa) and in the whole Brazil Business Area, in 2005 this was extended to the South African concrete and aggregates companies and to the Morocco Business Area.

Following are some of the other projects and activities carried out in 2005 for the various companies of the Group:

- Implementation of SIQUAL (Quality Network System) in all the factories and grinding plants in the Iberian Peninsula where this was not yet available (Córdoba, Niebla, Huelva and Narón) and also in the Asment de Témara plant (Morocco);
- Launching of a project at CIMPOR Indústria to totally automate bulk sales and raw material received;
- Development and implemention of a new shipping interface in SAP in the “aggregates” operation (linked to the scales of all the quarries) and completely reformulate the respective logistics;
- Developmentment and implementation of shipping interfaces at the plants of Matola (Cimentos de Moçambique) and Asment de Témara (Morocco), directly linked to the scales;
- Implementation, in SAP, for the “concrete” and “aggregates” operations, of self-billing processes for outsourced transport services, with the resulting automation of all tasks relating to reception, verification and recording of transporters' invoices;

- Reformulation of the SAP processes for managing materials in EcoResíduos and implementation of the processes in CIMPORTec and Cimpsac;
- Start of the project to implement a new system to consolidate the legal accounts (SAP/SEM-BCS);
- Reformulation of the requisition process for office and computer supplies in the Group companies with head offices in Portugal and complete automation of the respective accounting procedure;
- Parameterisation of new Intercompany processes.

The work performed out by the Systems Technology and Administration Area was also significant and included:

- Means of communication were installed between Lisbon and the Morocco Business Area;
- Implementation in the Morocco Business Area of an Active Directory structure, together with renewal of the respective electronic mail service and installation of the SAP R/3 landscape;
- Installation of SAP access at the quarries in the Portugal Business Area;
- Upgrade of the Helpdesk solution and its installation in the Brazil and Morocco Business Areas;
- Upgrade of the electronic mail system (to Exchange 2003) in the Business Areas of Spain,
- Egypt, Brazil and South Africa, as well as of Data Warehouse (BW) to Netweaver (including Portal and Content Manager);
- Implementation of a cluster for the SAP R/3 of the North African countries.

As in previous years, the realisation of these projects has led the Group to greater synergies and uniform solutions which increasingly optimise information infrastructure and management costs, both in terms of investment and their respective daily operation.

## 8. The Outlook for 2006

In 2006, strong growth is expected to be maintained in the world economy, although some slowing at industry level is expected due to the impact of rising energy costs on family budgets and business profits. This is expected to be the case of the United States in particular where the persistence of some significant imbalances limits the economy's growth potential. Despite the expansionist domestic policy, the high personal debt and low savings levels in an environment of high interest rates and some stagnation in the real estate market, are expected to result in less dynamic domestic demand and, more specifically, private consumption.

The Asian economies, particularly China, seem to have the right conditions for a sustained period of strong growth and it would not be surprising that, in addition to other reforms, the Chinese authorities take steps towards greater liberalisation of their exchange rate. On the other hand, the macroeconomic environment in Japan has been improving gradually, with encouraging signs in employment and labour costs, all pointing to the long term sustainability of their newfound recovery.

In this context, growth in the Euro Zone should be well in excess of that in 2005 thanks to the still favourable interest rates and financially sound business sector. The greatest risk factors lie in the substantial fall of the US dollar which has negative consequences for countries more dependent on foreign demand, rising oil prices and the continued extremely low levels of consumer confidence. Recovery of confidence levels, together with an improved labour market, are essential if there is to be an increase in domestic demand, which will be a very slow process given the difficulties involved in recovery. This scenario, together with stronger competition from the emerging countries, could lead to a decrease in inflation to close to the ECB target.

Cement consumption is expected to grow at a similar pace to that of 2005, boosted, as in previous years, by demand in emerging countries.

### PORTUGAL

The Portuguese economy is expected to grow slightly in 2006 (just over 1%), albeit at lower than desirable levels. External demand will probably contribute most to this improvement, as, in domestic terms, private consumption will be severely constrained by stabilisation of unemployment at record levels, and the desirable increase in public investment will be prevented by the size of the current budget deficit.

Following moderate wage increases and improved productivity, the inflation rate is expected to remain stable at just over 2%. However, this scenario could be changed in the event of a sudden rise in oil prices.

Recovery in the construction sector is not yet expected in 2006, after falling for four years. It is unlikely that the number of government public tenders awarded and launched will increase, while in the housing sector it is expected that supply will continue to adjust to the downward trend in demand. Consequently, another drop in cement consumption is forecast (of about 3 to 4%), although this might be offset from the perspective of national producers by lower imports by ship.

In the specific case of CIMPOR, this scenario will require it to continue supplying cement and clinker to other markets (already largely assured), which will enable it to maintain sales the same level as that of the last two years (around 6 million tons).

### SPAIN

Estimates for the Spanish economy in 2006 indicate that growth will stay above the Euro Zone average, based essentially on the increase in domestic demand and, more specifically, investment. On the other hand, rising interest rates, the high debt level of families and continuation of relatively high inflation are likely to slow the rate of growth of private consumption, even though unemployment levels are again down.

A slight slowdown is also forecast for the construction sector, with national cement consumption levels rising by roughly 1%. In the regions where the Group operates, activity levels are expected to remain about the same (Extremadura and Andalusia) or slightly lower (Galicia) than in 2005.

### NORTH AFRICA

In the North African countries in which the Group operates, GDP growth is likely to remain high (over 5%) with cement consumption rising between a minimum of 2.5% (in Tunisia) and a maximum of 7 to 8% (in Egypt).

As a result of the disparity in the growth rates of different regions in Morocco, the slight drop of market share forecast for Asment de Témara will be more than offset by the rise in clinker exports as well as significant clinker sales on the domestic market. Overall, both Turnover and Operating Cash Flow are expected to have a double-digit percentage increase.

In contrast, the growth forecast for domestic sales in Tunisia is higher than the national average, which, together with some cement exports, could lead to a nearly 10% increase in activity. Furthermore, the use of coke petroleum for the first full year and the resolution of the operating problems affecting the Business Area in 2005 bode well for a marked improvement in results. As long as the State fixed cement sale prices are updated in such a way as to offset, at least the recent rises in the cost of the main production factors, a substantial increase is forecast for the EBITDA Margin both in absolute and relative terms.

Growth in sales in the Egypt Business Area is expected to be more moderate than in 2005, but still enough to ensure a two-digit percentage increase in Turnover and Operating Income.

### BRAZIL

The increase in Brazil's GDP in 2006 could be well over 3% as the result of an increase in domestic demand, fuelled by higher private consumption, increased public expenditure (in the year of a presidential election) and higher investment levels (encouraged by lower interest rates). On the other hand, despite recent forecasts of a fall in the inflation rate to below 5%, the risk of a possible resurgence of inflationary pressures cannot be ignored in that scenario.

Recent estimates indicate that construction and cement consumption will grow at about 3%. Even if the Group's market share does not increase, with the expected increase in exports, the sales could increase by nearly 8% in volume and between 10 and 15% (in European currency) in value, mainly as a result of the strengthening of the real in relation to the euro, as sales prices are not yet expected to recover significantly.

### SOUTHERN AFRICA

In 2006, GDP in Mozambique and South Africa is expected to grow about 7.7% and 4.9%, respectively (boosted, in both cases, by investment), with approximately the same inflation rates as for the previous year.

In South Africa, another year of strong growth is forecast for the construction sector. NPC - with no additional production capacity until completion of the current expansion works - is expected to have difficulty in accompanying the predicted increase in cement consumption. This will only be possible by importing significant amounts of cement and clinker with a marginally positive impact on results. A marked increase is expected in the profitability of the concrete and aggregates production and sales activity, boosted in part by the acquisition of new production capacities.

In Mozambique, after overcoming the operating problems that prevented CIMPOR's units from fully satisfying the market needs, an upward trend in cement consumption is expected to return, reaching approximately 800 thousand tons/year. Consequently, with the help of some additional investment that has been made, a significant increase in the Results of this Business Area is expected.

### CAPE VERDE

The macroeconomic outlook for 2006 is unlikely to differ substantially from the previous year, with GDP growth remaining high (with some increase) and inflation relatively low (although with a tendency to increase).

Good prospects for tourism and the start of extension works in some of the main ports point to an increase of around 3% in cement consumption, but with growing competition from other importers. Sale prices are therefore unlikely to undergo great changes and the Business Area's results are forecast to maintain at the same annualised level as for 2005.

## 9. Post Balance Sheet Events

The following significant events took place after the end of 2005:

- Notification of a protective order lodged in the Provincial Court of Luanda by the Angolan Republic's National Agency for Private Investment (ANIP) against Scancem International ANS (the Heidelberg Group) and Scanang, SGPS, Unipessoal, Lda. (acquired by CIMPOR - Indústria de Cimentos, S.A. in November 2004 from the Holcim and Heidelberg Groups). Prior to the acquisition, Scancem International ANS transferred a 24.5% participation in the Angolan cement producer Nova Cimangola, S.A. to Scanang, SGPS, Unipessoal, Lda. (at the time part of the Holcim Group) in which it obtained a 49% participation. ANIP considers that this transaction was not undertaken in conformity with Angolan law and therefore intends to suspend the effect of the deal previously made between CIMPOR and these international groups (from which CIMPOR received guarantees and evidence enabling it to be confident of the legality of the transactions).

- Agreement signed with the Angolan State to resolve the above mentioned litigation under which CIMPOR agrees to sell the entire participation that it holds indirectly in Nova Cimangola, S.A. in favour of the Angolan State or investors named by them. For this purpose, a 180 day negotiating period was established during which all legal proceedings brought against the parties are suspended.
- The Souselas Production Centre has obtained EMAS (Ecomanagement and Audit Scheme) registration.
- Acquisition through Corporación Noroeste de Hormigones y Áridos, S.L., of all the shares of Áridos del Cantábrico, S.A., for the sum of approximately 7.7 million euros.
- Sale by Corporación Noroeste, S.A. of its 19.3% participation in the Spanish company Cementos Lemona, S.A., for the sum of approximately 69 million euros, under a Public Share Purchase Offer of Cementos Portland Valderrivas, S.A., for all that company's share capital.
- The share capital of Cimpor Sacs Manufacture Company (Cimpsac), S.A.E. was increased by 60 million Egyptian pounds in to finance the construction of a paper bag factory to be operated by it.
- Formalisation of the acquisition, through Nordicave Trading Industrial, Lda., of an additional block of shares corresponding to 12% of the share capital of Cimentos de Cabo Verde, S.A. (already paid for in 2005), which increased Nordicave Trading Industrial, Lda.'s participation to 98.65%.
- Acquisition, through Natal Portland Cement Company (Proprietary) Limited, of all the share capital of the South African companies Sterkspruit Aggregates and Sterkspruit Readymix, for the sum of approximately 7.1 million euros.
- Cimentos de Moçambique, S.A.R.L. acquired an additional block of shares of Premap - Prefabricados de Maputo, S.A.R.L., which increased its participation in the latter from 81.20% to 86.61%.

Lisbon, 17th April 2006

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 | Vicente Árias Mosquera |
| José Manuel Baptista Fino | José Enrique Freire Arteta |


# 3

Consolidated Annual Report

# Consolidated Financial Statements

# Consolidated Statements of Profit and Loss

for the years ended 31 December 2005 end 2004

(Translated from the Portuguese original - Note 48)

(Amounts stated in thousands of euros)

| | Notes | 2005 | 2004 |
|---|---|---|---|
| Operating income: | | | |
| Sales | 7 | 1,467,299 | 1,316,000 |
| Services rendered | 7 | 67,552 | 49,612 |
| Other operating income | 8 | 24,369 | 23,557 |
| **Total operating income** | | **1,559,220** | **1,389,169** |
| Operating expenses: | | | |
| Cost of goods sold and material used in production | 9 | (366,757) | (319,378) |
| Variation in production | | 545 | (3,651) |
| Outside supplies and services | | (506,638) | (438,028) |
| Payroll | 10 | (168,975) | (159,608) |
| Depreciation and amortisation | 7, 17 and 18 | (137,602) | (115,356) |
| Provisions and impairment losses | 39 | (2,766) | (13,159) |
| Other operating expenses | 11 | (21,583) | (16,562) |
| **Total operating expenses** | | **(1,203,776)** | **(1,065,742)** |
| **Net operating income** | **7** | **355,444** | **323,427** |
| Financial expenses | 12 | (152,972) | (138,597) |
| Financial income | 12 | 112,749 | 91,778 |
| Share of results of associates | 12 and 19 | 35,211 | 39,039 |
| Other investment income | 12 | 1,756 | 1,049 |
| **Profit before income tax** | | **352,188** | **316,696** |
| Income tax | 13 | (75,695) | (52,881) |
| **Net profit for the year** | | **276,493** | **263,815** |
| Attributable to: | | | |
| Equity holders of the parent | | 266,159 | 256,150 |
| Minority interest | 7 and 33 | 10,334 | 7,665 |
| | | **276,493** | **263,815** |
| Earnings per share: | | | |
| Basic | 15 | 0.40 | 0.38 |
| Diluted | 15 | 0.40 | 0.38 |

The accompanying notes form an integral part of the consolidated statement of profit and loss for the year ended 31 December 2005.

**The Board of Directors**

Ricardo Bayão Horta

Luís Eduardo da Silva Barbosa
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Jacques Lefèvre
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José Enrique Freire Arteta

# Consolidated Balance Sheets

as of 31 December 2005 and 2004

(Translated from the Portuguese original - Note 48)

(Amounts stated in thousands of euros)

| | Notes | 2005 | 2004 |
|---|---|---|---|
| **Non-current assets:** | | | |
| Goodwill | 16 | 940,648 | 821,042 |
| Intangible assets | 17 | 12,169 | 14,222 |
| Tangible assets | 18 | 1,567,539 | 1,456,755 |
| Investments in associates | 19 | 204,955 | 266,405 |
| Other investments | 20 | 10,859 | 7,578 |
| Available-for-sale financial assets | 20 | 69,220 | 52,334 |
| Deferred taxes | 21 | 91,138 | 102,924 |
| Accounts receivable-other | 22 | 2,348 | 1,535 |
| Taxes recoverable | 23 | 2,594 | 2,677 |
| Other non-current assets | 24 | 1,220 | - |
| **Total non-current assets** | | **2,902,690** | **2,725,472** |
| **Current assets:** | | | |
| Inventories | 25 | 173,618 | 151,793 |
| Accounts receivable-trade | 26 | 258,654 | 232,533 |
| Accounts receivable-other | 22 | 16,968 | 20,363 |
| Taxes recoverable | 23 | 34,319 | 32,669 |
| Cash and cash equivalents | 42 | 416,124 | 239,455 |
| Other current assets | 24 | 3,011 | 9,182 |
| **Total current assets** | | **902,694** | **685,995** |
| **Total assets** | | **3,805,384** | **3,411,467** |
| **Shareholders' equity:** | | | |
| Share capital | 28 | 672,000 | 672,000 |
| Treasury shares | 29 | (12,796) | (15,535) |
| Exchange translation adjustments | 30 | 212,486 | 8,648 |
| Reserves | 31 | 262,855 | 240,210 |
| Retained earnings | 32 | 118,392 | (2,228) |
| Net income for the year | 15 | 266,159 | 256,150 |
| Equity before minority interest | | 1,519,097 | 1,159,246 |
| Minority interest | 33 | 65,488 | 63,672 |
| **Total shareholders' equity** | | **1,584,585** | **1,222,918** |
| **Non-current liabilities:** | | | |
| Loans | 34 | 1,417,015 | 1,308,273 |
| Obligations under finance leases | 27 | 687 | 2,299 |
| Deferred taxes | 21 | 135,650 | 111,635 |
| Employee benefits | 39 and 40 | 27,377 | 22,223 |
| Provisions | 39 | 147,606 | 141,250 |
| Accounts payable-others | 35 | 19,849 | 13,550 |
| Taxes payable | 23 | 4,095 | 3,912 |
| Other non-current liabilities | 36 | 123,865 | 155,021 |
| **Total non-current liabilities** | | **1,876,144** | **1,758,163** |
| **Current liabilities:** | | | |
| Current liabilities-trade | 37 | 145,298 | 146,176 |
| Taxes payable | 23 | 45,354 | 29,723 |
| Obligations under finance leases | 27 | 1,632 | 1,574 |
| Loans | 34 | 36,541 | 156,287 |
| Employee benefits | 39 and 40 | 6,027 | 674 |
| Provisions | 39 | 2,017 | 2,196 |
| Accounts payable-others | 35 | 57,354 | 45,803 |
| Other current liabilities | 36 | 50,432 | 47,953 |
| **Total current liabilities** | | **344,655** | **430,386** |
| **Total liabilities** | | **2,220,799** | **2,188,549** |
| **Total liabilities and shareholders' equity** | | **3,805,384** | **3,411,467** |

The accompanying notes form an integral part of the consolidated balance sheet as of 31 December 2005.

**The Board of Directors**

Ricardo Bayão Horta

Luís Eduardo da Silva Barbosa
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# Consolidated Statements of Cash Flow

for the years ended 31 December 2005 end 2004

(Translated from the Portuguese original - Note 48)

(Amounts stated in thousands of euros)

| | Notes | 2005 | 2004 |
|---|---|---|---|
| **Operating Activities:** | | | |
| Received from clients | | 1,793,515 | 1,628,777 |
| Paid to suppliers | | (1,001,992) | (868,948) |
| Paid to personnel | | (164,205) | (150,622) |
| **Flows generated by operations** | | **627,318** | **609,206** |
| Income tax recovered/ (paid) | | (27,439) | (32,355) |
| Other payments relating to operating activities | | (162,287) | (170,504) |
| **Flows from operating activities (1)** | | **437,592** | **406,347** |
| **Investing Activities:** | | | |
| **Receipts relating to:** | | | |
| Changes in consolidation perimeter | 5 | 146,212 | - |
| Investments | | 805 | 5,272 |
| Tangible assets | | 4,251 | 2,937 |
| Investment subsidies | | 2,957 | 280 |
| Interest and similar income | | 27,701 | 24,140 |
| Dividends | | 5,211 | 4,703 |
| Others | | 1,887 | 4,063 |
| | | 189,024 | 41,395 |
| **Payments relating to:** | | | |
| Changes in consolidation perimeter | 5 | (16,220) | (102,010) |
| Investments | 42 | (51,696) | (27,803) |
| Tangible assets | | (145,160) | (167,206) |
| Intangible assets | | (476) | (14,399) |
| Others | | (3,687) | (1,161) |
| | | (217,239) | (312,579) |
| **Flows from investing activities (2)** | | **(28,215)** | **(271,184)** |
| **Financing Activities:** | | | |
| **Receipts relating to:** | | | |
| Loans obtained | 42 | 556,153 | 812,027 |
| Subsidies and donations | | 298 | - |
| Sale of treasury shares | | 2,797 | 1,832 |
| Others | | 2,879 | 2,800 |
| | | 562,127 | 816,659 |
| **Payments relating to:** | | | |
| Loans obtained | 42 | (591,723) | (761,927) |
| Interest and similar costs | | (81,449) | (69,459) |
| Dividends | 14 | (120,299) | (113,465) |
| Others | | (9,903) | (13,794) |
| | | (803,374) | (958,646) |
| **Flows from financing activities (3)** | | **(241,247)** | **(141,987)** |
| **Variation in cash and cash equivalents (4) = (1) + (2) + (3)** | | **168,130** | **(6,824)** |
| **Effect of currency translation and other non monetary transactions** | | **34,932** | **821** |
| **Cash and cash equivalents at the beginning of the year** | **42** | **205,134** | **211,137** |
| **Cash and cash equivalents at the end of the year** | **42** | **408,196** | **205,134** |

The accompanying notes form an integral part of the consolidated statement of cash flows for the year ended 31 December 2005.

**The Board of Directors**

Ricardo Bayão Horta

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# Consolidated Statements of Recognised Income and Expense

for the years ended 31 December 2005 end 2004

(Translated from the Portuguese original - Note 48)

(Amounts stated in thousands of euros)

| | Notes | 2005 | 2004 |
|---|---|---|---|
| Variation in fair value of cash flow hedging financial instruments | 31 | 746 | (744) |
| Variation in fair value of available-for-sale financial assets | 31 | 14,442 | (1,535) |
| Actuarial gain and loss on employee benefit plans | 31 | (11,185) | (3,207) |
| Variation in currency translation adjustments | 30 and 33 | 206,231 | 8,007 |
| Adjustments in investments in associates and others | 31 and 32 | 2,112 | (1,739) |
| Net income recognised directly in shareholders' equity | | 212,346 | 782 |
| Consolidated net profit for the year | | 276,493 | 263,815 |
| Total recognised income and expense for the year | | 488,839 | 264,597 |
| Attributable to: | | | |
| Equity holders of the parent | | 476,111 | 257,573 |
| Minority interest | | 12,728 | 7,024 |
| | | 488,839 | 264,597 |

The accompanying notes form an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2005.

**The Board of Directors**

Ricardo Bayão Horta

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# Notes to the Consolidated Financial Statements
## for the year ended 31 December 2005

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese - Note 48)

## Index

# Notes to the Consolidated Financial Statements
for the period ended 31 December 2005

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese - Note 48)

## 1. Introduction

CIMPOR - Cimentos de Portugal, SGPS, S.A. ("the Company") was incorporated on 26 March 1976, with the name CIMPOR - Cimentos de Portugal, E.P.. The Company has undergone several structural and legal changes, that have resulted in it becoming the parent company of a Business Group with operations in Portugal, Spain, Morocco, Mozambique, Brazil, Tunisia, Egypt, South Africa and Cape Verde (" the CIMPOR Group").

CIMPOR Group's core business is the production and sale of cement. The Group also produces and sells aggregates and mortar in a vertical integration of its businesses.

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, mortar, concrete parts and related activities in Portugal; and (ii) CIMPOR Inversiones, S.A., which holds the investments in companies operating abroad.

## 2. Summary of significant accounting policies

### 2.1. Basis of presentation

The accompanying financial statements were prepared on a going concern basis from the books and accounting records of the companies included in consolidation, restated in the consolidation process to the International Financial Reporting Standards, adopted by European Union, effective for the years beginning 1 January 2005. Such standards include the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the International Accounting Standards ("IAS") issued by the Accounting Standards Committee ("IASC") and the SIC and IFRIC interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and Standing Interpretation Committee ("SIC"). These standards and interpretations are hereinafter referred to collectively as "IFRS".

In compliance with Portuguese commercial legislation, up to 31 December 2004 the Cimpor Group prepared, approved and published consolidated financial statements in accordance with generally accepted accounting principles in Portugal.

The consolidated balance sheet as of 31 December 2004 and the consolidated statements of profit and loss, cash flows and recognised income and expense for the year then ended, presented for comparative purposes, were restated to conform to IFRS. The transition adjustments, effective as of 1 January 2004, were made in accordance with the provisions of IFRS 1 - First Adoption of the International Financial Reporting Standards. The disclosures required under IFRS 1, relating to transition from the accounting standards in force in Portugal to IFRS, are presented in Note 47. As established in IFRS 1, the effects of the adjustments as of 1 January 2004, relating to the adoption of IFRS, have been reflected in retained earnings (Note 47).

The financial statements were prepared in accordance with the historical cost convention, except as regards financial instruments. Following is a summary of the main accounting policies adopted.

### 2.2. Adoption of new or revised International Financial Reporting Standards

The Group has applied all of the IFRS adopted by the European Union, effective as from 1 January 2005.

In addition the Group has applied the amendments introduced in December 2004 to IAS 19 - Employee Benefits in advance of their effective date (1 January 2006), having adopted the option included therein of recognising actuarial gains and losses directly in reserves (Note 40).

The Group also adopted in advance, the amendments introduced in the year ended 31 December 2005 to IAS 39 - Financial Instruments: Recognition and Measurement, relating to the possibility of designating assets and liabilities as fair value through profit and loss, which only became effective as from 1 January 2006. In accordance with the transitional requirements, as a result of the introduction of these changes, entities that adopt the new requirements in advance may designate any asset or liability previously recognised, as fair value through profit and loss, provided that this is done before 1 September 2005 (Note 38).

## 2.3. Critical accounting judgements/estimates

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the Board of Directors to make judgements, estimates and assumptions that can affect the amount of assets and liabilities presented, especially amortisation and depreciation and provisions, the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as of income and expenses.

These estimates are based on the best knowledge existing at each moment and the planned actions, and are constantly reviewed based on the information available. Changes in facts and circumstances can result in revision of the estimates and so actual future results can differ from these estimates.

The significant estimates and assumptions made by the Board of Directors in preparing these financial statements include assumptions used in estimating pension and healthcare responsibilities, deferred taxes and periods of estimated useful life of tangible assets and investments.

## 2.4. Consolidation principles

**a) Controlled companies**

Controlled companies have been consolidated in each period using the full consolidation method. Control is considered to exist where the Group holds, directly or indirectly, a majority of the voting rights at Shareholders' General Meetings, or has the power to determine the companies' financial and operating policies.

Third party participation in shareholders' equity and net profit of such companies is presented separately in the consolidated balance sheet and consolidated statement of profit and loss under the caption “Minority interest”.

Where losses attributed to minority shareholders exceed the minority interest in shareholders' equity of subsidiary companies, the Group absorbs such excess and any additional losses, except where the minority shareholders are required and are able to cover such losses. Where the subsidiary subsequently reports profits, the Group appropriates them up to the amount of the losses absorbed by the Group.

The results of subsidiaries acquired or sold during the period are included in the statement of profit and loss from the date of their acquisition to the date of their sale.

Significant balances and transactions between controlled companies are eliminated in the consolidation process. Capital gains within the Group on the sale of subsidiary and associated companies are also eliminated.

Whenever necessary, adjustments are made to the financial statements of subsidiary companies to conform to the Group's accounting policies.

Where the Group has, in substance, control over other entities created for a specific purpose, even though it does not have direct participations in them, they are consolidated by the full integration method.

**b) Jointly controlled companies**

Investments in jointly controlled companies are consolidated in accordance with the proportional consolidation method as from the date joint control is acquired. Under this method, assets, liabilities, income and expenses of these entities are included in the accompanying consolidated financial statements, caption by caption, in proportion to the Group's control.

The excess of cost over the fair value of the identifiable assets and liabilities of jointly controlled companies as of the acquisition date is recognised as goodwill. If the difference between cost and the fair value of the net assets acquired is negative, it is recognised as income for the period.

Transactions, balances and dividends distributed between these companies are eliminated in proportion to the Group's control.

**c) Business combinations**

Business combinations, namely the acquisition of subsidiaries are recorded in accordance with the purchase method. Cost corresponds to the sum of the fair values of the assets acquired less the liabilities incurred or assumed and the equity instruments issued in exchange for the control acquired as of the transaction date plus any costs directly attributable to the purchase process.

The identifiable assets, liabilities and contingent liabilities of a subsidiary that meet the criteria to be recognised in accordance with IFRS 3 - Business Combinations, are measured by their fair value as of the purchase date, except for non current assets (or groups of assets) that are identified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured by their respective fair values less costs to sell.

Any excess of cost over the fair value of the identifiable net assets acquired as of the purchase date is recorded as goodwill. Where cost is lower than the fair value of the net assets identified, the difference is recorded as a gain in the statement of profit and loss for the period in which the acquisition is made.

Minority shareholders' interest is reflected in proportion to the fair value of the assets and liabilities identified.

**d) Investments in associates**

An associated company is one over which the Group exercises significant influence, but does not have control or joint control, through participation in decisions relating to its financial and operating policies.

Investments in the majority of associated companies (Note 19) are recorded in accordance with the equity method, except where they are classified as held for sale. Investments are initially recorded at cost which is then increased or decreased by the difference between cost and the proportional value of the equity of such companies as of the purchase date or the date the equity method was first used.

In accordance with the equity method investments are adjusted periodically by the amount corresponding to participation in the net results of associated companies by corresponding entry to share of profit of associates (Note 12) and by other changes in shareholders' equity by corresponding entry to adjustments in investments, reflected as Reserves, as well by recognition of impairment losses.

Losses in associated companies in excess of the investment in them are not recognised, unless the Group has assumed commitments to the companies.

Any excess of cost over the fair value of the identifiable net assets is recorded as goodwill. Where cost is less than the fair value of the net assets identified, the difference is recorded as a gain in the statement of profit and loss for the period in which the acquisition is made.

In addition, dividends received from these companies are recorded as decreases in the amount of the investments.

Unrealised gains on transactions with associated companies are eliminated in proportion to the Group's interest in such companies, by corresponding entry to the amount of the corresponding investment. Unrealised losses are also eliminated, but only up to the point in which the loss does not show that the asset transferred is in a situation of impairment.

**e) Goodwill**

Goodwill represents the excess of cost over the fair value of the identifiable assets and liabilities of a subsidiary, associated company or jointly controlled entity, as of the date of acquisition.

Goodwill is recorded as an asset and is not amortised, being reflected in a separate balance sheet caption or in the caption investments in associates. Annually, or whenever there are indications of a possible loss in value, goodwill is subjected to impairment tests. Any impairment loss is immediately recorded as a cost in the statement of profit and loss for the period and is not subject to subsequent reversal.

Goodwill is included in determining the gain or loss on the sale of a subsidiary, associated company or jointly controlled entity.

As a result of the exception established in IFRS 1, the Group applied the provisions of IFRS 3 - Business Combinations, to acquisitions after 31 December 1998. Goodwill on acquisitions after that date is restated to the currency of the subsidiary and translated to the Group's reporting currency (euros) at the rate of exchange on the balance sheet date.

Exchange differences arising on that translation are recorded in the caption Exchange translation adjustments.

Exchange differences generated prior to 1 January 2004 were recorded directly in Retained earnings, in accordance with IFRS 1.

Goodwill on acquisitions prior to 1 January 1999 was maintained at the former amount, being subject to annual impairment tests as from that date.

Where cost is less than the fair value of the net assets identified, the difference is recorded as a gain in the statement of profit and loss for the period in which the acquisition takes place.

## 2.5. Non-current assets held for sale

Non current assets (or discontinued operations) are classified as held for sale if the amount is realisable through sale, as opposed to through continued use. This is considered to be the case where: (i) the sale is probable and the asset is available for immediate sale in its current condition; (ii) management is committed to a sales plan; and (iii) the sale is expected to take place in a period of twelve months.

Non current assets (or discontinued operations) classified as held for sale are stated at the lower of book value or fair value less costs to sell.

## 2.6. Intangible assets

Intangible assets, which comprise essentially contractual rights and costs incurred on specific projects with future economic value, are stated at cost less accumulated amortisation and impairment losses. Intangible assets are only recognised if it is probable that they will produce future economic benefits for the Group, they are controllable by the Group and their value can be determined reliably.

Internally generated intangible assets, namely current research and development costs, are recognised as costs when incurred.

Internal costs relating to the maintenance and development of software are recorded as costs in the statement of profit and loss when incurred, except where such costs relate directly to projects which will probably generate future economic benefits for the Group. In such cases these costs are capitalised as intangible assets.

Amortisation of such assets is provided on a straight-line basis as from the date the assets start being used, in accordance with their period of useful life estimated by the Group.

Intangible assets which are expected to generate future economic benefits for an unlimited period are known as intangible assets of undefined useful life. Such assets are not amortised but are subject to annual impairment tests.

## 2.7. Tangible assets

Tangible assets used in production, rendering services or for administrative use are stated at cost, including expenses incurred with their purchase, less accumulated depreciation and, where applicable, impairment losses.

Assets relating to the cement operations on 1 January 2004 were revalued as permitted by the transition provisions of IFRS 1, the resulting amount being considered as the new cost.

Depreciation of tangible fixed assets is provided on a straight-line basis over their estimated useful lives, as from the date the assets become available for their intended use, in accordance with the following estimated periods of useful life:

| | Average useful life |
|---|---|
| Buildings and other constructions | 10 - 50 |
| Basic equipment | 7 - 30 |
| Transportation equipment | 4 - 8 |
| Tools and dies | 2 - 8 |
| Administrative equipment | 2 - 14 |
| Other tangible fixed assets | 2 - 10 |

The amount subject to depreciation does not include the estimated residual value of the assets at the end of their useful lives. Additionally, the assets stop being depreciated when they are classified as assets held for sale.

Land used for quarries is depreciated over its estimated period of operation.

Improvements are only recognised as assets when they increase the useful life or efficiency of the assets, resulting in increased future financial benefits.

Tangible assets in progress correspond to tangible assets under construction/promotion and are recorded at cost less possible impairment losses. These assets are depreciated as from the date they become available for their intended use.

Gains and losses arising from the sale or write-off of tangible assets, which are determined by the difference between the proceeds of the sale of the assets and their net book value at the date of sale/write-off, are recognised in the statement of profit and loss caption other operating income or other operating expenses.

### 2.8. Leases

Lease contracts are classified as: (i) finance leases, if substantially all the risks and benefits of ownership are transferred under them; and (ii) operating leases, if substantially all the risks and benefits of ownership are not transferred under them.

Leases are classified as finance or operating leases based on the substance and not form of the contract.

Fixed assets acquired under finance lease contracts, as well as the corresponding liabilities are recorded in accordance with the financial method. In accordance with this method the fixed assets are recorded as tangible assets, the corresponding liability is recognised and the interest included in the lease instalments and depreciation of the assets, calculated as explained above, are recognised in the statement of profit and loss for the period to which they relate.

In the case of operating leases, the lease instalments are recognised, on a straight- basis, in the statement of profit and loss over the period of the lease contracts.

### 2.9. Impairment of non-current assets, excluding goodwill

Impairment valuations are made whenever an event or change in circumstances is identified that indicates that the book value of an asset may not be recovered. Where such indications exist, the Group determines the recoverable value of the asset, so as to determine the possible extent of the impairment loss. In situations in which the individual asset does not generate cash flows independently of other assets, the recoverable value is estimated for the cash generating unit to which the asset belongs.

Intangible assets of undefined useful life are subject to impairment tests annually or whenever there are indications that impairment losses exist.

Whenever the book value of an asset exceeds its recoverable amount, an impairment loss is recognised by charge to the statement of profit and loss caption Provisions and impairment losses.

The recoverable amount is the higher of the net selling price (selling price, less costs to sell) and the usable value of the asset. Net selling price is the amount that would be obtained from selling the asset in a transaction between knowledgeable independent entities, less the costs directly attributable to the sale. Usable value is the present value of the estimated future cash flows resulting from the continued use of the asset and sale thereof at the end of its useful life. The recoverable amount is estimated for each asset individually or, where this is not possible, for the unit generating the cash flows to which the asset belongs.

Impairment losses recognised in prior periods are reversed when there are indications that such losses no longer exist or have decreased. Impairment losses are reversed by credit to the statement of profit and loss caption Provisions and impairment losses. However, the impairment loss is reversed up to the amount that would have been recognised (net of amortisation or depreciation) if the impairment loss had not been recorded in prior periods.

### 2.10. Foreign currency assets, liabilities and transactions

Transactions in currencies other than euro are recorded at the rates of exchange in force on the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet dates are translated to euros at the rates of exchange in force on that dates. Non monetary assets and liabilities recorded at their fair value in foreign currencies are translated to euros using the rate of exchange in force on the date the fair value was determined.

Exchange gains and losses resulting from differences between the exchange rates in force on the dates of the transactions and those in force on the dates of collection, payment or the balance sheet date are recognised as income or costs in the consolidated statement of profit and loss, except for those relating to non monetary items where the change in fair value is recognised directly in shareholders' equity (Exchange translation adjustments), in particular:

- Exchange differences resulting from the translation of medium and long term foreign currency intra Group balances, which in practice are extensions of investments;
- Exchange differences on financial operations to hedge exchange risk on foreign currency investments as established in IAS 21 - The Effects of Changes in Foreign Exchange Rates, provided that they comply with the efficiency criteria established in IAS 39.

The foreign currency financial statements of subsidiary and associated companies are translated as follows: assets and liabilities at the exchange rates in force on the balance sheet dates; shareholders' equity captions at the historical exchange rates; and statement of profit and loss captions at the average exchange rates.

The exchange effect of such translations after 1 January 2004 is reflected in the shareholders' equity caption Exchange translation adjustments in the case of subsidiary companies and in the shareholders' equity caption Reserves in the case of investments in associated companies, and is transferred to the statement of profit and loss caption Financial expenses or Financial income when the corresponding investments are sold.

In accordance with IAS 21 goodwill and fair value corrections determined on the acquisition of foreign entities are considered in the reporting currency of such entities, and are translated to euros at the exchange rate in force on the balance sheet date. Exchange differences arising from these translations are reflected in the caption Exchange translation adjustments.

The Group contracts financial derivative hedging instruments when it wishes to reduce its exposure to exchange rate risk.

### 2.11. Borrowing costs

Borrowing costs are recognised in the statement of profit and loss for the period to which they relate.

### 2.12. Government grants

State subsidies are recognised based on their fair value, when there is reasonable certainty that they will be received and that the Company will comply with the conditions required for them to be granted.

Operating subsidies, namely those for employee training, are recognised in the statement of profit and loss in accordance with the costs incurred.

Investment subsidies relating to the acquisition of fixed assets are recorded in the caption Other non-current liabilities and are credited to the statement of profit and loss on a consistent straight-line basis in proportion to depreciation of the subsidised fixed assets.

## 2.13. Inventories

Merchandise and raw, subsidiary and consumable materials are stated at average cost.

Finished and semi-finished products and work in progress are stated at production cost, which includes the cost of the raw materials incorporated, labour and production overheads (considering depreciation of production equipment based on normal utilisation levels).

Inventories are reduced in value where market value is lower than book value, the reduction being reversed when the reasons that gave rise to it cease to exist.

## 2.14. Operating results

Operating results include restructuring costs and exclude the results of investment and financing operations and income tax.

## 2.15. Provisions

Provisions are recognised when the Group has an obligation (legal or implicit) resulting from a past event, under which it is probable that it will have an outflow of resources to resolve the obligation, and the amount of the obligation can be reasonably estimated. At each balance sheet date provisions are reviewed and adjusted to reflect the best estimate as of that date.

**a) Provisions for restructuring costs**

Provisions for restructuring costs are recognised by the Group whenever there is a formal detailed restructuring plan which has been communicated to the parties involved.

**b) Environmental rehabilitation**

In accordance with current legislation and practices in force in several business areas in which the Group operates, land used for quarries must be environmentally rehabilitated.

In this respect, provisions are recorded to cover the estimated cost of environmentally recovering and rehabilitating the land used for quarries, whenever this can be reasonably determined. Such provisions are recorded together with a corresponding increase in the amount of the underlying assets, based on the conclusions of landscape rehabilitation studies, being recognised in the statement of profit and loss as the corresponding assets are depreciated.

In addition, the Group has the procedure of progressively rehabilitating the areas freed up by the quarries, using the provisions recorded.

## 2.16. Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual relationship.

**a) Cash and cash equivalents**

The caption Cash and cash equivalents includes cash, bank deposits, term deposits and other treasury applications which mature in less than three months, and are repayable on demanded with insignificant risk of change in value.

The caption Cash and cash equivalents in the statement of cash flows also includes bank overdrafts, which are included in the balance sheet in the caption Loans.

**b) Accounts receivable**

Accounts receivable are measured at fair value when they are initially recognised and are subsequently stated at amortised cost in accordance with the effective interest rate method. When there is evidence that the accounts receivable are impaired, the corresponding adjustment is recorded by corresponding charge to the statement of profit and loss. The adjustment is recognised and measured by the difference between the book value of the accounts receivable and the present value of the cash flows discounted at the effective interest rate determined upon initial recognition of the accounts receivable.

**c) Investments**

Investments are recognised (and derecognised) as of substantially all the risks and benefits of ownership are transferred under them, irrespective of the settlement date.

Investments are initially recognised at cost, which is the fair value of the price paid, including transaction costs.

Investments are classified as follows:

- Held-to-maturity investments;
- Assets at fair value through the statement of profit and loss;
- Available-for-sale financial assets.

Held-to-maturity investments are classified as non current assets, except if they mature in less than twelve months from the balance sheet date, investments with a defined maturity date which the Group intends and has the capacity to hold up to that date being recorded in this caption. These investments are recognised at capitalised cost, using the effective interest rate, net of capital repayments and interest received. Impairment losses are recognised in the statement of profit and loss when the recorded amount of the investment is lower than the estimated value of the cash flows discounted at the effective interest rate determined at the time of initial recognition. Impairment losses can only be reversed subsequently when there is an increase in the recoverable amount of the investment can be objectively related to an event occurring after the date in which the impairment loss was recognised. In any case the recognised amount of the investment cannot exceed the amount corresponding to amortised cost of the investment had the impairment loss not been recognised.

Assets measured at fair value through profit and loss are classified as current investments. After initial recognition, assets measured at fair value through profit and loss and available-for-sale financial assets are revalued to fair value by reference to their market value as of the balance sheet date with no deduction for transaction costs that could arise up to the date their sale. Investments in equity instruments not listed on regulated markets, where it is not possible to estimate their fair value on a reliable basis, are maintained at cost less possible impairment losses.

Available-for-sale financial assets are classified as non current assets. Gains and losses due to changes in the fair value of available-for-sale financial assets are reflected in the shareholders' equity caption “Fair value reserve” until the instrument is sold, collected or in any other way realised, or where impairment losses are believed to exist, in which case the accumulated gain or loss is recorded in the statement of profit and loss.

**d) Financial liabilities and equity instruments**

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contract independently of its legal form. Equity instruments are contracts that have a residual interest in the Group's assets after deduction of the liabilities.

Equity instruments issued by the Company are recorded at the amount received net of costs incurred to issue them.

**e) Bank loans**

Loans are initially recorded as liabilities at the amount received, net of loan issuing costs, which corresponds to their fair value on that date. Loans are subsequently measured at amortised cost, the corresponding financial costs being calculated at the effective interest rate, except as follows:

- Loans that form part of a relationship qualified as a fair value hedge, which are measured at fair value as regards the part attributed to the risk hedged. Variations in fair value are recognised in the statement of profit and loss for the period and compensated by the variation in fair value of the hedging instrument, as regards the corresponding effective component;
- Loans designated as financial liabilities, measured at fair value through profit and loss as explained in Note 2.2.

**f) Accounts payable**

Accounts payable are initially recognised at fair value and subsequently measured at amortised cost in accordance with the effective interest rate method.

**g) Derivative financial instruments and hedge accounting**

The Group has the policy of resorting to financial derivative instruments to hedge the financial risks to which it is exposed as a result of changes in interest rates and exchange rates.

In this respect the Group does not contract derivative financial instruments for speculation purposes.

The Group resorts to financial derivative instruments in accordance with internal policies set and approved by the Board of Directors.

Financial derivative instruments are measured at fair value. The method of recognising this depends on the nature and purpose of the transaction.

**Hedge accounting**

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

Variations in the fair value of derivative instruments designated as fair value hedges are recognised as financial income or expense for the period, together with changes in the fair value the asset or liability subject to the risk.

Variations in the fair value of derivative financial instruments designated as cash flow hedging instruments are recorded in the caption Hedging adjustments as regards their effective component and in financial income or expense for the period as regards their non effective component. The amounts recorded under Hedging adjustments are transferred to the statement of profit and loss in the period in which the effect on the item covered is also reflected in the statement of profit and loss.

Variations in the value of derivative financial instruments hedging net investments in a foreign entity, are recorded in the caption Exchange translation adjustments as regards their effective component. The non effective component of such variations is recognised immediately as financial income or expense for the period. If the hedging instrument is not a derivative, the corresponding variations resulting from changes in the exchange rate are recorded in the caption Exchange translation adjustments.

Hedge accounting is discontinued when the hedging instrument matures, is sold or exercised, or when the hedging relationship ceases to comply with the requirements of IAS 39.

**Trading instruments**

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

**h) Treasury shares**

Treasury shares are recorded at cost, as a decrease in shareholders' equity. Gains and losses on the sale of treasury shares are recorded in the caption Reserves.

## 2.17. Retirement benefits

Retirement benefits are recorded in accordance with IAS 19 - Employee Benefits.

**Defined Benefit Plans**

Costs of these benefits are recognised as the services are rendered by the beneficiary employees.

Therefore, at the end of each accounting period actuarial valuations are obtained from independent entities to determine the amount of the liability as of that date and the pension cost to be recognised in the period, in accordance with the projected unit credit method. The liability thus estimated is compared with the market value of the pension fund, so as to determine the amount of the difference to be recorded as a liability.

As established in the above mentioned standard, pension costs are recognised in the caption Payroll expense, based on the amounts determined on an actuarial basis, and include current service costs (increase in the liability), which corresponds to the additional benefits accrued to the employees during the period and interest costs, which result from updating the past service liability. These amounts are reduced by the estimated return on the assets relating to the plan. Actuarial gains and losses are recorded directly in Reserves.

Past service costs are recognised immediately, as the related benefits have already been recognised or, alternatively, recognised on a straight-line basis over the estimated period in which they are obtained.

**Defined Contribution Plans**

Contributions made by the Group to defined contribution plans are recorded as costs when they are due.

## 2.18. Healthcare benefits

Some Group companies provide supplementary healthcare benefits to their employees in addition to those provided by the Public Social Security, extensive to their families, early retired and retired personnel. The liability resulting from these benefits is recorded in a similar manner to the retirement pension liability, in the caption Payroll - healthcare benefits, except for the part relating to actuarial gains and losses, which is recorded in Reserves.

As in the case of retirement benefits, actuarial valuations made by an independent entity are obtained at the end of each accounting period, so as to determine the amount of the liability as of that date.

## 2.19. Share-based payment

The Group has applied the provisions of IFRS 2 - Share-based payment, in which the transitional measures establish that it is applicable to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

In accordance with IFRS 2, equity settled payment transactions based on shares are recognised at their fair value on the date they are granted. On the other hand, cash settled payment transactions based on shares are recognised as a liability at their fair value as of the balance sheet date.

## 2.20. Contingent assets and liabilities

Contingent liabilities are not recognised in the consolidated financial statements but are disclosed in the notes to the financial statements, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

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

## 2.21. Revenue recognition and accruals basis

Income resulting from sales is recognised in the consolidated statement of profit and loss when the risks and benefits of ownership of assets are transferred to the purchaser and the amount of income can be reasonably quantified. Sales are recognised at the fair amount received or receivable, net of taxes, discounts and other costs incurred to realise them.

Income from services rendered is recognised in the consolidated statement of profit and loss in the period in which they are rendered.

Interest and financial income are recognised on an accruals basis in accordance with the effective interest rate.

Costs and income are recognised in the period to which they relate independently of when they are paid or received. Costs and income, the amount of which is not known, are estimated.

Costs and income attributable to the current period which will only be paid or received in future periods, as well as amounts paid and received in the current period that relate to future periods and will be attributed to each of the periods by the amount corresponding to them, are recorded in the captions Other current assets and Other current liabilities.

## 2.22. Income tax

Tax on income for the period is calculated based on the taxable results of the companies included in the consolidation and takes into consideration deferred taxation.

Current income tax is calculated based on the taxable results (which differ from the accounting results) of the companies included in the consolidation, in accordance with the tax rules applicable to the area in which the head office of each Group company is located.

Deferred taxes refer to temporary differences between the amounts of assets and liabilities for accounting purposes and the corresponding amounts for tax purposes, as well as those resulting from tax benefits obtained.

Deferred tax assets and liabilities are calculated and assessed periodically using the tax rates expected to be in force when the temporary differences reverse, and are not subject to discounting.

Deferred tax assets are only recognised when there is reasonable expectation that there will be sufficient future taxable income to utilise them. Temporary differences underlying the deferred tax assets are reappraised annually in order to recognise or adjust the deferred tax assets based on the current expectation of their future recovery.

## 2.23. Earnings per share

Earnings per share are calculated dividing the result attributable to the ordinary shareholders of the parent company, by the weighted average number of shares in circulation during the period.

The diluted earnings per share are calculated dividing the result attributable to the ordinary shareholders of the parent company, by the weighted average number of shares in circulation during the period, adjusted by potential ordinary diluting shares.

Potential ordinary diluting shares can result from options over shares and other financial instruments issued by the Group, convertible to shares of the Parent company.

## 2.24. Subsequent events

Events that occur after the date of the balance sheet that provide additional information on conditions that existed as of the balance sheet date are reflected in the consolidated financial statements.

Events that occur after the date of the balance sheet, that provide information on conditions that exist after the balance sheet date, if material, are disclosed in the notes to the consolidated financial statements.

## 2.25. $CO_2$ emission licences - Emissions market

Some of the Group's production units in Portugal and Spain are covered by the European greenhouse effect gas emissions market. While the IASB does not issue accounting policies covering the granting and trading of emission licences, the Group adopts the following policy:

- Emission licences granted at no cost, as well the corresponding emissions covered by that licences, do not give rise to the recognition of any asset or liability;
- Gains from the sale of emission rights are recognised as decreases in other operating expenses;

- When it is estimated that annual $CO_2$ emissions will exceed the licences granted annually, a liability, measured in accordance with the price at the end of the year, is recognised by corresponding charge to Other operating expenses;
- Licences acquired are recognised at cost, in a specific intangible assets account under the Industrial property and other rights caption.

## 3. Changes in policies, estimates and errors

The significant changes in estimates in the years ended 31 December 2005 and 2004 relate to changes in the actuarial assumptions used to determine the liability due to employee benefits, disclosed in Note 40. There were no changes in accounting policies or corrections of errors identified in these years.

## 4. Companies included in the consolidation

### 4.1. Companies consolidated in accordance with the full consolidation method

The parent company, CIMPOR - Cimentos de Portugal, SGPS, S.A., and the following subsidiaries, in which it has a majority participation (control), have been consolidated using the full consolidation method:

**Holding and Sub-holdings companies**

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CIMPOR SGPS | CIMPOR - CIMENTOS DE PORTUGAL, SGPS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | - |
| CIMPOR PORTUGAL | CIMPOR PORTUGAL, SGPS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIMPOR INTERNACIONAL | CIMPOR INTERNACIONAL, SGPS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIMPOR INVESTIMENTOS | CIMPOR INVESTIMENTOS, SGPS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIMPOR INVERSIONES | CIMPOR INVERSIONES, S.A.<br>Calle Brasil, 56<br>36204 Vigo | 100,00 |

### Cement Area (Portugal)

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CIMPOR INDÚSTRIA | CIMPOR - INDÚSTRIA DE CIMENTOS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| SCIAL | ESTABELECIMENTOS SCIAL DO NORTE, S.A.<br>Av. Américo Duarte - S. Pedro Fins - Maia<br>4425 - 504 Maia | 100,00 |
| CECISA | CECISA - COMÉRCIO INTERNACIONAL, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CTA | CEMENT TRADING ACTIVITIES - COMÉRCIO INTERNACIONAL, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 88,95 |
| MOSSINES | MOSSINES - CIMENTOS DE SINES, S.A.<br>Rua Alexandre Herculano, 35<br>1250-009 Lisbon | 100,00 |
| CIMENTAÇOR | CIMENTAÇOR - CIMENTOS DOS AÇORES, LDA.<br>Canada das Murtas, Pico da Pedra, Ribeira Grande<br>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.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIMPOR BETÃO | CIMPOR BETÃO - INDÚSTRIA DE BETÃO PRONTO, S.A.<br>Av. Almirante Gago Coutinho, Portela de Sintra<br>2710 - 418 Sintra | 100,00 |
| BETAÇOR | BETAÇOR - FABRICO DE BETÃO E ARTEFACTOS DE CIMENTO, S.A.<br>Rua dos Pastos - Beljardim<br>9760 - 511 Praia da Victória | 75,00 |
| AGREPOR | AGREPOR AGREGADOS - EXTRACÇÃO DE INERTES, S.A.<br>Sangardão - Furadouro<br>3150 - 999 Condeixa-a-Nova | 100,00 |
| INERGRANITOS | INERGRANITOS, S.A.<br>Lugar e Freguesia de Canas de Senhorim - Nelas<br>3525 - 044 Canas de Senhorim | 100,00 |
| JOMATEL | JOMATEL - EMPRESA DE MATERIAIS DE CONSTRUÇÃO, S.A.<br>Tapada da Quinta de Cima - Est. de Albarraque - Linhó<br>2714 Sintra | 90,00 |
| BETABEIRAS | BETABEIRAS - BETÕES DA BEIRA, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 88,95 |

| | | |
|---|---|---|
| BETÃO LIZ | BETÃO LIZ, S.A.<br>Rua Qtª Paizinho - Edifício Bepor, Bloco 2-1º Esq.<br>2790 - 237 Carnaxide | 66,44 |
| VERMOFEIRA | VERMOFEIRA - EXTRACÇÃO E COMÉRCIO AREIAS, LDA.<br>Rua Qtª Paizinho - Edifício Bepor, Bloco 2-1º Esq.<br>2790 - 237 Carnaxide | 100,00 |
| FORNECEDORA | FORNECEDORA DE BRITAS DO CARREGADO, S.A.<br>Rua Vaz Monteiro, 192 - r/c Esq.<br>2580 - 505 Carregado | 100,00 |
| M.C.D. | M.C.D. - MATERIAIS CONSTRUÇÃO DRAGADOS E BETÃO PRONTO, S.A.<br>Rua Qtª Paizinho - Edifício Bepor, Bloco 2-1º Esq.<br>2790 - 237 Carnaxide | 66,44 |
| BETRANS | BETRANS - SOCIEDADE PRODUTORA E DISTRIBUIDORA DE BETÃO TRANSMONTANO, S.A.<br>Zona Industrial das Cantarias, Lt 189/190<br>5300 - 212 Bragança | 100,00 |
| IBERA | IBERA - INDÚSTRIA DE BETÃO, S.A.<br>Qtª da Madeira, Estrada Nac. 114, km 85<br>7002 - 505 Évora | 50,00 |
| BEPRONOR | BEPRONOR - SOCIEDADE DE BETÃO PRONTO DO NORDESTE, S.A.<br>R. Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |

**Precast Area (Portugal)**

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| VILAJE | VILAJE - VIGAS E LAGES PRÉ-ESFORÇADAS, LDA.<br>Feiteira - Seixezelo - Vila Nova de Gaia<br>4415 - 556 Grijó | 100,00 |
| PREDIANA | PREDIANA - SOCIEDADE DE PRÉ-ESFORÇADOS, S.A.<br>Zona Industrial de Adua<br>7050 - 001 Montemor-o-Novo | 100,00 |
| GEOFER | GEOFER - PRODUÇÃO E COMERCIALIZAÇÃO DE BENS E EQUIPAMENTOS, S.A.<br>Rua Alexandre Herculano, 35<br>1250-009 Lisbon | 100,00 |
| PRECADAR | PRECADAR - PONTES E VIADUTOS PRÉ - FABRICADOS, LDA.<br>Av. Severiano Falcão, 8 - Edifício Cimpor<br>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.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIMPOR TEC | CIMPOR TEC - ENGENHARIA E SERVIÇOS TÉCNICOS DE APOIO AO GRUPO, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIARGA | CIARGA - ARGAMASSAS SECAS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| TRANSVIÁRIA | TRANSVIÁRIA - GESTÃO DE TRANSPORTES, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| ALEMPEDRAS | ALEMPEDRAS - SOCIEDADE DE BRITAS, LDA.<br>Casal da Luz - Bairro - Santa Maria<br>2510 Óbidos | 100,00 |
| CIMADJUVANTES | CIMADJUVANTES - COMERCIALIZAÇÃO E PRODUÇÃO DE ADJUVANTES PARA CIMENTO, LDA.<br>Av. Severiano Falcão, 8 - Edifício Cimpor<br>2685 - 378 Prior Velho | 100,00 |
| CELFA | CELFA - SOCIEDADE INDUSTRIAL DE TRANSFORMAÇÃO DE GESSOS, S.A.<br>Zona Industrial de Soure, Lt. 26 e 27<br>3130 - 551 Soure | 100,00 |
| SCORECO | SCORECO - VALORIZAÇÃO DE, RESÍDUOS, LDA.<br>Av. Severiano Falcão, 8 - Edifício Cimpor<br>2685 - 378 Prior Velho | 100,00 |
| KANDMAD | KANDMAD - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, LDA.<br>Av. Arriaga, 77, Edifício Marina Fórum, 1º, sala 103, Sé<br>9000 - 060 Funchal | 99,93 |

### International Area - Spain

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CORPORACIÓN NOROESTE | CORPORACIÓN NOROESTE, S.A.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| C.N. HORMIGONES Y ÁRIDOS | CORPORACIÓN NOROESTE DE HORMIGONES Y ÁRIDOS, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| S.C.M.C. ANDALUCÍA | SOCIEDAD DE CEMENTOS Y MATERIALES DE CONSTRUCCIÓN DE ANDALUCÍA, S.A.<br>Av. de la Agrupacíon de Córdoba, 15<br>14 014 Córdoba | 99,54 |

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CEMENTOS ANDALUCÍA | CEMENTOS DE ANDALUCÍA, S.L.<br>Av. de la Agrupación de Córdoba, 15<br>14 014 Córdoba | 99,54 |
| OCCIDENTAL HORMIGONES | OCCIDENTAL DE HORMIGONES, S.L.<br>Calle la Viela<br>Polígono Industrial el Nevero<br>06006 Badajoz | 99,54 |
| CEMENTOS EL MONTE | CEMENTOS EL MONTE, S.A.<br>21810 - Palos de la Frontera (Huelva)<br>Puerto Exterior de Huelva<br>Muelle Ingeniero Juan Gonzalo s/n | 99,54 |
| CEMENTOS NOROESTE | CEMENTOS NOROESTE, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| SERMACONSA | SERVICIOS Y MATERIALES PARA LA CONSTRUCCIÓN, S.A.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| SILOS GALICIA | SILOS GALICIA, S.A.<br>Calle Montero Rios, 30 - 1º<br>36201 Vigo | 99,29 |
| MORTEROS NOROESTE | MORTEROS NOROESTE, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| MORTEROS GALICIA | MORTEROS DE GALICIA, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| HORMIGONES HÉRCULES | HORMIGONES HÉRCULES, S.L.<br>Polígono Industrial - El Prado - 40 - Mérida<br>06800 - Badajoz | 99,54 |
| S.I.F. GALLEGA | SOCIEDAD INDUSTRIAL Y FINANCEIRA GALLEGA, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| TABANQUE, S.L. | TABANQUE, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,54 |
| HORMIGONES MIÑO | HORMIGONES MIÑO, S.L.<br>Brasil, 56<br>36 204 Vigo | 99,52 |
| CEMENTOS COSMOS | CEMENTOS COSMOS, S.A.<br>Brasil, 56<br>36 204 Vigo | 99,29 |
| PREBETONG N. CANTERAS | PREBETONG NOROESTE DE CANTERAS, S.L.<br>Brasil, 56<br>36204 Vigo | 98,41 |
| PREBETONG GALICIA | PREBETONG GALICIA, S.A.<br>Brasil, 56<br>36 204 Vigo | 98,41 |
| CANTERAS PREBETONG | CANTERAS PREBETONG, S.L.<br>Brasil, 56<br>36 204 Vigo | 98,41 |

| | | |
|---|---|---|
| BRAÑAS DE BRÍNS | BRAÑAS DE BRÍNS, S.A.<br>Brasil, 56<br>36 204 Vigo | 98,41 |
| BOMTRAHOR | BOMBEO Y TRANSPORTE DE HORMIGON, S.A.<br>Brasil, 56<br>36 204 Vigo | 92,80 |
| PREBETONG LUGO | PREBETONG LUGO, S.A.<br>Av. Benigno Rivera s/n<br>Polígono Industrial del Ceao<br>27 003 Lugo | 81,57 |
| MATERIALES ATLÁNTICO | MATERIALES DEL ATLÁNTICO, S.A.<br>Polígono Industrial Lagoas - Carretera Cedeira Km. 1,5<br>15 570 Narón (La Coruña) | 67,48 |
| HORMINGONES LA BARCA | HORMIGONES Y ÁRIDOS LA BARCA, S.A.<br>Calle La Barca, nº 14<br>36 002 Pontevedra | 49,77 |
| ARICOSA | ÁRIDOS DE LA CORUÑA, S.A.<br>Candame<br>15 142 Arteixo La Coruña | 49,21 |
| CANPESA | CANTEIRA DO PENEDO, S.A.<br>Reina, 1 - 3º<br>27 001 Lugo | 40,77 |

## International Area - Morocco

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

## International Area - Tunisia

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

### International Area - Brazil

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| C.C.B. | CIMPOR - CIMENTOS DO BRASIL, LTDA.<br>Avª Maria Coelho Aguiar, 215 - Bloco E - 8º<br>Jardim São Luíz - São Paulo | 100,00 |
| ATOL | CIMENTO ATOL, LTDA.<br>Fazenda S. Sebastião<br>S. Miguel dos Campos - Alagoas | 100,00 |
| CIMEPAR | CIMENTO DA PARAIBA, LTDA.<br>Fazenda da Graça - Ilha de Bispo-Cidade João Pessoa<br>Paraiba | 100,00 |
| C.B. | CIMPOR BRASIL PARTICIPAÇÕES, LTDA.<br>Av. Mª Coelho Aguiar, 215 Bl E - 8º<br>J. São Luís - São Paulo | 100,00 |

### International Area - Mozambique

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CIM. MOÇAMBIQUE | CIMENTOS DE MOÇAMBIQUE, S.A.R.L.<br>Av. Fernão de Magalhães, 34 - 2º, nº1<br>Maputo - Caixa Postal 270 | 71,69 |
| CIMBETÃO | CIMPOR BETÃO MOÇAMBIQUE, S.A.R.L.<br>Estrada de Lingamo<br>Matola | 71,69 |
| PREMAP | PREFABRICADOS DE MAPUTO, S.A.R.L.<br>Avª 24 de Julho, 2096, 4º Andar<br>Maputo | 58,21 |

### International Area - Egypt

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| AMREYAH | AMREYAH CEMENT COMPANY<br>El Gharbaneyat - Borg El Arab City<br>P. O. Box 21511 Alexandria | 96,39 |
| CEC | CIMPOR EGYPT FOR CEMENT<br>El Gharbaneyat - Borg El Arab City<br>P.O. Box 21511 Alexandria | 100,00 |
| AMREYAH CIMPOR | AMREYAH CIMPOR CEMENT COMPANY, S.A.E.<br>El Gharbaneyat - Borg El Arab City<br>P.O. Box 21511 Alexandria | 97,29 |
| CSC | CEMENT SERVICES COMPANY, S.A.E.<br>El Gharbaneyat - Borg El Arab City<br>P.O. Box 21511 Alexandria | 98,37 |

| | | |
|---|---|---|
| CIMPSAC | CIMPOR SACS MANUFACTURE COMPANY, S.A.E.<br>El Gharbaneyat - Borg El Arab City<br>P.O. Box 21511 Alexandria | 97,15 |
| AMREYAH DEKHEILA | AMREYAH DEKHEILA TERMINAL COMPANY - S.A.E.<br>Trade City Center - Down Town<br>Desert Road<br>International Garden<br>Alexandria | 96,86 |

## International Area - South Africa

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

## International Area - Cape verde

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| NORDICAVE TRADING | NORDICAVE TRADING INDUSTRIAL, LIMITADA.<br>Estrada de Tira Chapéu,<br>Praia, Santiago<br>14/A Cape Verde | 100,00 |

| | | |
|---|---|---|
| CIMENTOS CABO VERDE | CIMENTOS CABO VERDE, S.A.<br>Estrada de Tira Chapéu<br>Praia, Santiago<br>14/A Cape Verde | 98,65 |

## Unrelated Activities

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CIMPOR SERVIÇOS | CIMPOR - SERVIÇOS DE APOIO À GESTÃO DE EMPRESAS, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| CIMPOR SAGESA | CIMPOR SERVICIOS DE APOIO À LA GESTION DE EMPRESAS, S.A.<br>Brasil, 56<br>36 204 Vigo | 100,00 |
| CIMPOR FINANCE | CIMPOR FINANCE LIMITED<br>2 Harbourmaster Place<br>Custom House Dock<br>Dublin 1 | 100,00 |
| CIMPOR B.V. | CIMPOR FINANCIAL OPERATIONS, B.V.<br>Teleportboulevard 140<br>1043 EJ Amesterdam | 100,00 |
| SCANANG SGPS | SCANANG SGPS, UNIPESSOAL, LDA.<br>Av. Arriaga, 77, Edifício Marina Fórum, 1º, Sala 103<br>9000-060 Funchal | 100,00 |
| CIMPOR IMOBILIÁRIA | CIMPOR IMOBILIÁRIA, S.A.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| MECAN | MECAN - MANUFACTURA DE ELEMENTOS DE CASAS DE CONSTRUÇÃO NORMALIZADA, LDA.<br>Rua Alexandre Herculano, 35<br>1250 - 009 Lisbon | 100,00 |
| RETONOBA | RETONOBA, S.A.<br>Brasil, 56<br>36 204 Vigo | 100,00 |
| 99 SHIP | 99 SHIP, S.A.<br>Calle Serrano, 91<br>Madrid | 100,00 |
| VEIROCIR | VEIROCIR - COMÉRCIO DE CIMENTOS, LDA.<br>Rua Augusto Marques Bom, 21<br>Freguesia de Santo António dos Olivais<br>3030 - 218 Coimbra | 100,00 |
| SCANANG TRADING | SCANANG TRADING ACTIVITIES-ESPAÑA, SOCIEDADE ANÓNIMA<br>Brasil, 56<br>36204 Vigo | 100,00 |
| CIMPSHIP | CIMPSHIP - TRANSPORTES MARÍTIMOS, S.A.<br>Rua Dr. Brito da Câmara, 20 - 1º<br>Freguesia da Sé<br>9000-039 Funchal | 60,00 |

| | | |
|---|---|---|
| CIMPOR REINSURANCE | CIMPOR REINSURANCE, S.A. - SOCIÉTÉ ANONYME DE REASSURANCE<br>65, Avenue de la Gare L<br>1611 - Luxemburgo | 100,00 |

## 4.2. Associated companies

Investments in associated companies, recorded in accordance with the equity method (Note 19) are as follows:

### Cement Area (Portugal)

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| CIMENTOS MADEIRA | CIMENTOS MADEIRA, LDA.<br>Estrada Monumental, 433 - São Martinho<br>9000 - 236 Funchal | 42,86 |
| C + P.A. | C + P.A. - CIMENTO E PRODUTOS ASSOCIADOS, S.A.<br>Av. Eng.° Duarte Pacheco, Torre Um, 15° Piso<br>1070-101 Lisbon | 48,00 |
| CECIME | CECIME - CIMENTOS, S.A.<br>R. Cintura do Porto de Lisboa, Armazém, 21<br>Topo Norte<br>1900 - 649 Lisbon | 20,00 |

### Other Related Activities (Portugal)

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

### International Area - Spain

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

### International Area - Angola

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

### Unrelated Activities

| Name | Full name /headquarters | Effective participation |
|---|---|---|
| KEEFERS | KEEFERS FINANCE, S.A.<br>Pasea Estate, Road Town-P.O.Box 3149 - Portola<br>British Virgin Island | 23,13 |
| CORTEZO | CORTEZO, N.V.<br>P.O.Box 6050, Curaçao<br>Netherlands Antilles | 30,00 |
| ARENOR | ARENOR, S.L.<br>Calle Montecarmelo, 1 - 5º C<br>Sevilla | 28,57 |
| AUXILIAR DE ÁRIDOS | AUXILIAR DE ÁRIDOS, S.L.<br>Calle Montecarmelo, 1 - 5º C<br>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.<br>Fundoa de Cima - S. Roque<br>9000 - 801 Funchal | 42,86 |
| BRIMADE | BRIMADE - SOCIEDADE DE BRITAS DA MADEIRA, S.A.<br>Fundoa de Cima - S. Roque<br>9000 - 801 Funchal | 42,86 |
| MADEBRITAS | MADEBRITAS - SOCIEDADE DE BRITAS DA<br>MADEIRA, LDA.<br>Fundoa de Cima - S. Roque<br>9000 - 801 Funchal | 21,86 |
| PROMADEIRA | PROMADEIRA - SOCIEDADE TÉCNICA DE CONSTRUÇÃO DA ILHA DA MADEIRA, LDA.<br>Sítio da Cancela, São Gonçalo<br>9050 - 299 Funchal | 42,86 |
| PEDRA REGIONAL | PEDRA REGIONAL - INDÚSTRIA TRANSFORMADORA<br>DE PEDRAS ORNAMENTAIS, LDA.<br>Estrada Monumental, 433<br>São Martinho<br>9000 - 236 Funchal | 30,00 |

| | | |
|---|---|---|
| J.M.J. HENRIQUES | J.M.J. HENRIQUES, LDA.<br>Caminho do Ribeiro Real, 10<br>Câmara dos Lobos<br>9300 - 006 Câmara dos Lobos | 21,43 |
| SANIMAR - MADEIRA | SANIMAR - MADEIRA, SOCIEDADE DE MATERIAIS DE CONSTRUÇÃO, LDA.<br>Sítio da Cancela, São Gonçalo<br>9050 - 299 Funchal | 42,86 |

### 4.3. Companies consolidated in accordance with the proportional method

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

**Other Related Activities**

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

**International Area - Brazil**

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

## 5. Changes in the companies included in the consolidation

The more significant changes in the year ended 31 December 2005, in the companies included in the consolidation were as follows:

- Sale of the participation in Semapa - Sociedade de Investimento e Gestão, SGPS, S.A. (“Semapa”), which was reflected as an associated company in the Portugal business area and recorded in accordance with the equity method (Note19);
- Purchase of concrete pre-mix businesses in the Brazil business area;

- Purchase, in Cape Verde, of all the share capital of Nordicave, whose principal asset is a 98.65% participation in Cimentos de Cabo Verde (considering the acquisition of 12% that have formally occurred in March 2006, but that have been paid on December 2005), whose operations are the importation and distribution of cement in the Cape Verde archipelago.

These changes in the companies included in the consolidation did not have a significant effect on the Group's results. The impact of the changes in the companies included in the consolidation on the balance sheet as of 31 December 2005 is as follows:

| Captions | Portugal | Brazil | Spain | Cape Verde | Total |
|---|---|---|---|---|---|
| Intangible assets (Note 17) | - | - | - | 9 | 9 |
| Tangible assets (Note 18) | (2,589) | 5,025 | - | 2,026 | 4,462 |
| Investments | - | - | 287 | 657 | 943 |
| Investments in associates (Note 19) | (132,156) | - | - | - | (132,156) |
| Deferred tax assets (Note 21) | (34) | - | - | - | (34) |
| Inventories | - | - | - | 1,187 | 1,187 |
| Accounts receivable - other | (28) | - | 2 | 3,035 | 3,009 |
| Provisions (Note 39) | 73 | - | - | (163) | (91) |
| Deferred tax liabilities (Note 21) | 9 | - | - | - | 9 |
| Accounts payable - other | 45 | - | - | (3,904) | (3,860) |
| Minority interest (Note 33) | 148 | - | - | (33) | 115 |
| Net amount | (134,533) | 5,025 | 289 | 2,814 | (126,405) |
| Goodwill (Note 16) | (784) | 1,032 | 330 | 7,721 | 8,299 |
| Capital gain/loss | (10,895) | - | - | - | (10,895) |
| Accounts payable - other | - | (991) | - | - | (991) |
| Net amount paid/(received) | (146,212) | 5,066 | 619 | 10,535 | (129,992) |
| Cash and cash equivalents (Note 42) | (247) | - | 41 | 782 | 576 |
| Net assets acquired/(sold) | (146,459) | 5,066 | 660 | 11,318 | (129,415) |

## 6. Exchange rates used

The exchange rates used to translate, to euros, the foreign currency assets and liabilities at 31 December 2005 and 2004, as well the results for the years then ended were as follows:

| | | Closing exchange rate | | | Average exchange rate | | |
|---|---|---|---|---|---|---|---|
| Currency | Segment | 2005 | 2004 | Chg.% | 2005 | 2004 | Chg.% |
| USD | Others | 1.1797 | 1.3621 | (13.4) | 1.2454 | 1.2439 | (0.1) |
| MAD | Morocco | 10.9097 | 11.2196 | (2.8) | 11.1373 | 11.1420 | (0.0) |
| BRL | Brazil | 2.7440 | 3.6147 | (24.4) | 3.0400 | 3.6361 | (16.4) |
| TND | Tunisia | 1.6082 | 1.6352 | (1.7) | 1.6241 | 1.6100 | 0.9 |
| MZM | Others | 28,024.4 | 25,314.4 | 10.7 | 28,502.2 | 27,363.7 | 4.2 |
| CVE | Others | 110.2650 | - | - | 110.2650 | - | - |
| EGP | Egypt | 6.7700 | 8.2679 | (18.1) | 7.2658 | 7.7663 | (6.4) |
| ZAR | South Africa | 7.4642 | 7.6879 | (2.9) | 7.9294 | 8.0265 | (1.2) |

## 7. Segment reporting

The main profit and loss information, by geographical segment, for years ended 31 December 2005 and 2004, is as follows:

**2005**

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales and services rendered:** | | | | | | | | | | | |
| External sales | 515,487 | 370,887 | 227,109 | 93,388 | 53,432 | 58,817 | 113,119 | 63,311 | 39,301 | | 1,534,851 |
| Inter segment sales | 61,059 | 2,197 | - | 10,498 | - | 1,731 | 2,674 | - | 88,420 | (166,579) | - |
| Total | 576,546 | 373,084 | 227,109 | 103,886 | 53,432 | 60,548 | 115,793 | 63,311 | 127,721 | (166,579) | 1,534,851 |
| **Operating results** | **134,096** | **70,031** | **40,732** | **37,303** | **7,107** | **19,184** | **34,600** | **7,100** | **5,291** | **-** | **355,444** |
| Financial expenses | | | | | | | | | | | (152,972) |
| Financial income | | | | | | | | | | | 112,749 |
| Share of results of associates | | | | | | | | | | | 35,211 |
| Other investment income | | | | | | | | | | | 1,756 |
| Profit before income tax | | | | | | | | | | | 352,188 |
| Income tax | | | | | | | | | | | (75,695) |
| **Net profit for the year** | | | | | | | | | | | **276,493** |

All inter segment transactions were made at market value.

The above net income includes the full amount of the segments, without considering the following amounts attributable to minority shareholders:

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit for the year attributable to minority interests | 2,221 | 258 | - | 807 | - | 5,117 | - | 1,354 | 577 | 10,334 |

Other information:

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| Fixed capital expenditure | 39,656 | 19,133 | 25,751 | 3,984 | 4,564 | 12,888 | 35,706 | 10,896 | 9,512 | 162,089 |
| Depreciation and amortisation | 48,547 | 30,740 | 21,674 | 11,666 | 7,506 | 7,041 | 7,226 | 1,185 | 2,016 | 137,602 |
| Provisions charged to profit and loss | 378 | 2,117 | 507 | (507) | - | - | 68 | (18) | 220 | 2,766 |

In addition, assets and liabilities, by reportable segment, reconciled to the total consolidated amounts at 31 December 2005, are as follows:

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Segment assets | 839,752 | 647,178 | 1,041,839 | 289,583 | 158,444 | 88,344 | 249,174 | 59,368 | 919,303 | (692,556) | 3,600,430 |
| Investment in associates | | | | | | | | | | | 204,955 |
| **Total consolidated assets** | | | | | | | | | | | **3,805,384** |
| **Liabilites** | | | | | | | | | | | |
| Segment liabilities | 318,206 | 403,021 | 430,079 | 71,557 | 16,640 | 29,759 | 52,875 | 23,725 | 1,567,494 | (692,556) | 2,220,799 |
| **Total consolidated liabilities** | | | | | | | | | | | **2,220,799** |

Following is a break-down of the information for the year ended 31 December 2005, by business segment:

| | Sales and services rendered | Net assets | Fixed capital expenditure |
|---|---|---|---|
| Cement | 1,087,417 | 3,041,079 | 123,569 |
| Ready-mix and pre-cast concrete | 392,782 | 334,259 | 13,710 |
| Others | 54,652 | 430,047 | 24,809 |
| | 1,534,851 | 3,805,385 | 162,089 |

**2004**

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales and services rendered:** | | | | | | | | | | | |
| External sales | 507,408 | 344,508 | 199,121 | 60,103 | 53,599 | 54,547 | 87,514 | 47,260 | 11,552 | - | 1,365,612 |
| Inter segment sales | 52,566 | 2,515 | - | 6,702 | - | - | - | 34 | 62,079 | (123,896) | - |
| Total | 559,974 | 347,022 | 199,121 | 66,805 | 53,599 | 54,547 | 87,514 | 47,294 | 73,630 | (123,896) | 1,365,612 |
| **Operating results** | **131,147** | **58,346** | **63,938** | **11,860** | **11,141** | **21,512** | **33,404** | **4,335** | **(12,257)** | **-** | **323,427** |
| Financial expenses | | | | | | | | | | | (138,597) |
| Financial income | | | | | | | | | | | 91,778 |
| Share of results of associates | | | | | | | | | | | 39,039 |
| Other investment income | | | | | | | | | | | 1,049 |
| Profit before income tax | | | | | | | | | | | 316,696 |
| Income tax | | | | | | | | | | | (52,881) |
| Net profit for the year | | | | | | | | | | | **263,815** |

All inter segment transactions were made at market values.

The above net income includes the full amount of the segments, without considering the following amounts attributable to minority shareholders:

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| Profit for the year attributable to minority interests | 1,686 | 753 | - | 409 | - | 4,922 | - | (86) | (19) | 7,665 |

Other information:

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|
| Fixed capital expenditure | 69,871 | 66,385 | 11,330 | 11,433 | 8,588 | 18,780 | 2,083 | 8,328 | 11,507 | 208,306 |
| Depreciation and amortisation | 43,818 | 28,992 | 14,108 | 10,079 | 4,903 | 4,838 | 6,365 | 1,640 | 614 | 115,356 |
| Provisions charged to profit and loss | 1,344 | (576) | 288 | 8,045 | 26 | (767) | 122 | 4 | 4,674 | 13,159 |

In addition, assets and liabilities, by reportable segment, reconciled to the total consolidated amounts at 31 December 2004, are as follows:

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Unallocated | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| Segment assets | 837,277 | 653,346 | 841,071 | 239,799 | 152,340 | 82,779 | 95,062 | 134,229 | 740,280 | (631,120) | 3,145,062 |
| Investment in associates | | | | | | | | | | | 266,405 |
| **Total consolidated assets** | | | | | | | | | | | **3,411,467** |
| Liabilities | | | | | | | | | | | |
| Segment liabilities | 373,335 | 445,964 | 183,335 | 403,311 | 18,607 | 25,398 | 22,723 | 23,284 | 1,323,712 | (631,120) | 2,188,549 |
| **Total consolidated liabilities** | | | | | | | | | | | **2,188,549** |

Following is a break-down of the information for the year ended 31 December 2004, by business segment:

| | Sales and services rendered | Net assets | Fixed capital expenditure |
|---|---|---|---|
| Cement | 990,544 | 2,689,288 | 153,511 |
| Ready-mix and pre-cast concrete | 338,292 | 321,234 | 31,566 |
| Others | 36,775 | 400,946 | 23,229 |
| | 1,365,612 | 3,411,467 | 208,306 |

## 8. Other operating income

Other operating income for the years ended 31 December 2005 and 2004 is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Supplementary income | 14,205 | 11,611 |
| Gain on the sale of assets (a) | 2,307 | 3,463 |
| Reversal of receivables adjustments | 1,615 | 3,208 |
| Investment subsidies | 952 | 855 |
| Reversal of inventory adjustments | 466 | 456 |
| Own work for the company | 432 | 175 |
| Operating subsidies | 149 | 402 |
| Other operating income | 4,243 | 3,386 |
| | 24,369 | 23,557 |

(a) The above gain corresponds, essentially, to gains on the sale of tangible fixed assets.

## 9. Cost of goods sold and material used in production

The cost of goods sold and material used in production for the years ended 31 December 2005 and 2004 is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Goods sold | 79,553 | 60,265 |
| Material used in production | 286,901 | 258,932 |
| Gain/loss on inventories | 304 | 181 |
| | 366,757 | 319,378 |

## 10. Payroll

The average number of employees of the companies included in the consolidation in the years ended 31 December 2005 and 2004, by business and geographical segment, was as follows:

| **Average number of employees** | **2005** | **2004** |
|---|---|---|
| **Cement operations** | **3,695** | **3,751** |
| Portugal | 728 | 769 |
| Spain | 537 | 522 |
| Brazil | 763 | 791 |
| Egypt | 469 | 497 |
| Tunisia | 241 | 243 |
| Morocco | 194 | 198 |
| South Africa | 321 | 313 |
| Others | 444 | 419 |
| **Ready-mix concrete and aggregates** | **1,421** | **1,307** |
| Portugal | 610 | 614 |
| Spain | 397 | 396 |
| Brazil | 279 | 208 |
| Egypt | - | - |
| Tunisia | - | - |
| Morocco | 20 | 20 |
| South Africa | 94 | 46 |
| Others | 22 | 23 |
| **Other activities** | **269** | **265** |
| **Common functions** | **406** | **318** |
| **Total** | **5,790** | **5,641** |

Payroll expenses for the years ended 31 December 2005 and 2004 are made up as follows:

| | **2005** | **2004** |
|---|---|---|
| Remuneration | 120,113 | 112,057 |
| Charges on remuneration | 25,909 | 24,385 |
| Social action and other personnel costs | 14,497 | 18,216 |
| Incentive plan (Note 41) | 1,242 | 913 |
| Healthcare benefits (Note 40) | 1,065 | 950 |
| Insurance | 821 | 750 |
| Retirement benefits (Note 40) | 327 | 2,338 |
| | 168,975 | 159,608 |

The caption Social action and other personnel costs includes occupational health, healthcare assistance, labour termination indemnities, professional training and meal allowance costs.

## 11. Other operating expenses

Other operations expenses for the years ended 31 December 2005 and 2004 are made up as follows:

| | **2005** | **2004** |
|---|---|---|
| Receivables adjustments | 9,031 | 5,463 |
| Taxes | 5,009 | 5,520 |
| Subscriptions | 2,031 | 2,107 |
| Loss on the sale of assets (a) | 1,572 | 401 |
| Donations | 1,141 | 484 |
| $CO_2$ emission licences (b) | 887 | - |
| Inventory adjustments | 701 | 370 |
| Fines and penalties | 319 | 138 |
| Uncollectible debts | 145 | 536 |
| Other operating costs | 747 | 1,544 |
| | 21,583 | 16,562 |

(a) The above loss was incurred, essentially, on the sale of tangible fixed assets.

(b) This amount corresponds to the Group's estimated cost with $CO_2$ emission licences to cover the excess emissions in relation to the licences granted free of charge under the European greenhouse gas emissions market (Note 36).

## 12. Net financial expenses

Net financial expenses for the years ended 31 December 2005 and 2004 are made up as follows:

| | 2005 | 2004 |
|---|---|---|
| **Financial expenses:** | | |
| Interest expense: | | |
| Changes in the fair value of derivative financial instruments | 10,040 | 8,231 |
| Others | 71,043 | 67,804 |
| Foreign exchange loss: | | |
| Changes in the fair value of derivative financial instruments | 47,912 | 36,961 |
| Others | 11,163 | 12,337 |
| Financial discount allowed | 3,132 | 4,499 |
| Loss on the sale of other financial assets | - | 67 |
| Other financial expenses | 9,683 | 8,697 |
| | 152,972 | 138,597 |
| **Financial income:** | | |
| Interest income: | | |
| Changes in the fair value of derivative financial instruments | 13,284 | 16,859 |
| Others | 25,283 | 21,387 |
| Foreign exchange gain: | | |
| Changes in the fair value of derivative financial instruments | 45,859 | 36,631 |
| Others | 17,627 | 10,885 |
| Cash discount received | 711 | 944 |
| Gain on the sale of other financial assets | 183 | 434 |
| Other financial income | 9,803 | 4,637 |
| | 112,749 | 91,778 |
| **Share of results of associates:** | | |
| Loss in associated companies | (161) | (160) |
| Gain in associated companies | 35,372 | 39,199 |
| | 35,211 | 39,039 |
| **Investment income:** | | |
| Dividends | 1,756 | 2,110 |
| Adjustments for investments | - | (1,062) |
| | 1,756 | 1,049 |

The gain in associated companies includes the effect of applying the equity method to investments in associated companies at 31 December 2005, in the amount of 14,484 thousand euros (Note 19), the effect of applying the equity method to the investment in Semapa up to the date of its sale, in the amount of 9,051 thousand euros, and the gain on the sale of Semapa, in the amount of 11,676 thousand euros, respectively.

## 13. Income tax

Income tax expense for the years ended 31 December 2005 and 2004 is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Current tax | 43,931 | 31,884 |
| Deferred tax (Note 21) | 33,819 | 20,669 |
| Tax contingencies (Note 39) | 749 | 963 |
| Corrections related to prior years | (2,804) | (636) |
| Income tax for the year | 75,695 | 52,881 |

The Company and the majority of its subsidiaries in Portugal are subject to Corporate Income Tax, currently at the rate of 25%, plus a Municipal surcharge up to a maximum of 10%, totalling 27.5%.

Tax on income relating to the other geographic segments is calculated at respective rates in force.

Temporary differences between the book value of assets and liabilities and their corresponding value for tax purposes are recognised in accordance with IAS 12 - Income taxes.

The income tax charge for the years ended 31 December 2005 and 2004 in relation to profit before income tax is as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Tax base | Income tax | Tax base | Income tax |
| Profit before income tax | 352,188 | | 316,695 | |
| Permanent differences: | | | | |
| Equity method | (35,211) | | (39,039) | |
| Non taxable income | (35,133) | | (28,613) | |
| Tax deductible from amortisation of goodwill | (21,342) | | (38,198) | |
| Provisions | (7,274) | | 12,876 | |
| | **253,227** | | **223,721** | |
| Normal charge (27.5%) | | 69,638 | | 61,523 |
| Tax benefits | | (2,785) | | (4,842) |
| Rate differences and others | | 10,897 | | (4,127) |
| Tax contingencies | | 749 | | 963 |
| Prior year adjustments | | (2,804) | | (636) |
| Charge for the year | | **75,695** | | **52,881** |

In addition to the income tax charge for the year, in the years ended 31 December 2005 and 2004, deferred taxes of (6,398) thousand euros and 15,024 thousand euros were recorded directly in reserves (Note 21).

## 14. Dividends

In the year ended 31 December 2005 a dividend of 18 cents per share (17 cents per share in 2004), totalling 120,299 thousand euros (113,465 thousand euros in 2004), was paid as decided by the Shareholders' Annual General Meeting held on 27 April 2005.

## 15. Earnings per Share

Basic and diluted earnings per share for the years ended 31 December 2005 and 2004 were computed as follows:

| | 2005 | 2004 |
|---|---|---|
| **Basic earnings per share** | | |
| Net income considered in the computation of basic earnings per share | 266,159 | 256,150 |
| Weighted average number of ordinary shares used to calculate the basic earnings per share (thousands) | 667,908 | 667,083 |
| Basic earnings per share | 0.40 | 0.38 |
| **Diluted earnings per share** | | |
| Net income considered in the computation of basic earnings per share | 266,159 | 256,150 |
| Weighted average number of ordinary shares used to calculate basic earnings per share (thousands) | 667,908 | 667,083 |
| Effect of the options granted under the Share Option Plan (thousands) (Note 41) | 1,583 | 1,186 |
| Weighted average number of ordinary shares used to calculate the diluted earnings per share (thousands) | 669,490 | 668,269 |
| Diluted earnings per share | 0.40 | 0.38 |

## 16. Goodwill

The changes in goodwill and related impairment losses in the years ended 31 December 2005 and 2004, were as follows:

**2005**

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Cape Verde | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross assets:** | | | | | | | | | | |
| Balance at 1 January 2005 | 23,087 | 63,360 | 458,102 | 69,699 | 71,546 | 27,254 | 132,025 | - | - | 845,073 |
| Effect of exchange translation | - | - | 88,944 | 15,421 | - | - | 3,989 | - | 37 | 108,391 |
| Changes in consolidation perimeter (Note 5) | (784) | 330 | 1,032 | - | - | - | - | 7,721 | - | 8,299 |
| Additions | 22 | 1,399 | - | - | - | - | - | - | 1,495 | 2,916 |
| Balance at 31 December 2005 | 22,325 | 65,089 | 548,077 | 85,121 | 71,546 | 27,254 | 136,014 | 7,721 | 1,532 | 964,679 |
| **Accumulated impairment losses:** | | | | | | | | | | |
| Balance at 1 January 2005 | - | - | - | - | - | 24,031 | - | - | - | 24,031 |
| Balance at 31 December 2005 | - | - | - | - | - | 24,031 | - | - | - | 24,03 |
| **Net assets** | **22,325** | **65,089** | **548,077** | **85,121** | **71,546** | **3,223** | **136,014** | **7,721** | **1,532** | **940,648** |

**2004**

| | Portugal | Spain | Brazil | Egypt | Tunisia | Morocco | South Africa | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Gross assets:** | | | | | | | | | |
| Balance at 1 January 2004 | 5,088 | 34,921 | 485,681 | 144,313 | 53,376 | 15,283 | 89,326 | (2,236) | 825,753 |
| Adjustments on restatement to IFRS (Note 47) | 12,127 | 22,046 | (36,179) | (70,365) | 18,170 | 11,971 | 32,256 | 2,236 | (7,739) |
| Restated balance at 1 January 2004 | 17,215 | 56,967 | 449,502 | 73,948 | 71,546 | 27,254 | 121,582 | - | 818,014 |
| Effect of exchange translation | - | - | 3,796 | (4,248) | - | - | 7,561 | - | 7,108 |
| Changes in consolidation perimeter | 5,044 | 5,380 | - | - | - | - | 2,881 | - | 13,306 |
| Additions | 828 | 1,013 | 4,805 | - | - | - | - | - | 6,645 |
| Balance at 31 December 2004 | 23,087 | 63,360 | 458,102 | 69,699 | 71,546 | 27,254 | 132,025 | - | 845,073 |
| **Accumulated impairment losses:** | | | | | | | | | |
| Balance at 1 January 2004 | - | - | - | - | - | 12,131 | - | - | 12,131 |
| Adjustments on restatement to IFRS (Note 47) | - | - | - | - | - | 11,900 | - | - | 11,900 |
| Restated balance at 1 January 2004 | - | - | - | - | - | 24,031 | - | - | 24,031 |
| Balance at 31 December 2004 | - | - | - | - | - | 24,031 | - | - | 24,031 |
| **Net assets** | **23,087** | **63,360** | **458,102** | **69,699** | **71,546** | **3,223** | **132,025** | **-** | **821,042** |

Goodwill is subject to impairment tests annually and whenever there are indications of possible impairment.

The impairment tests are made based on the discounted cash flow of each of the affected business segments, based on the most recent financial projections approved by the respective Boards of Directors (Note 39).

## 17. Intangible assets

The changes in intangible assets and corresponding accumulated amortisation and impairment losses in the years ended 31 December 2005 and 2004 are as follows:

**2005**

| | Industrial property and other rights | Intangible assets in progress | Total |
|---|---|---|---|
| **Gross assets:** | | | |
| Balance at 1 January 2005 | 11,631 | 7,040 | 18,671 |
| Changes in consolidation perimeter (Note 5) | 18 | - | 18 |
| Effect of exchange translation | 1,157 | - | 1,157 |
| Additions | 6,312 | 424 | 6,736 |
| Write-offs | (543) | - | (543) |
| Transfers | (1,744) | (7,464) | (9,207) |
| Balance at 31 December 2005 | 16,832 | - | 16,832 |
| **Accumulated amortisation and impairment losses:** | | | |
| Balance at 1 January 2005 | 4,449 | - | 4,449 |
| Changes in consolidation perimeter (Note 5) | 9 | - | 9 |
| Effect of exchange translation | 431 | - | 431 |
| Increases | 1,357 | - | 1,357 |
| Write-offs | (543) | - | (543) |
| Transfers | (1,040) | - | (1,040) |
| Balance at 31 December 2005 | 4,663 | - | 4,663 |
| **Net** | **12,169** | **-** | **12,169** |

The caption Industrial property and other rights includes essentially surface rights over land and software utilisation licences.

**2004**

| | Installation expenses | Research and development expenses | Industrial property and other rights | Intangible assets in progress | Total |
|---|---|---|---|---|---|
| **Gross assets:** | | | | | |
| Balance at 1 January 2004 | 10,168 | 16,999 | 8,238 | 185 | 35,589 |
| Adjustments on restatement to IFRS (Note 47) | (10,168) | (16,999) | (2,508) | - | (29,674) |
| Restated balance at 1 January 2004 | - | - | 5,730 | 185 | 5,915 |
| Changes in consolidation perimeter | - | - | 3,996 | 20 | 4,016 |
| Effect of exchange translation | - | - | 34 | - | 34 |
| Additions | - | - | 1,504 | 6,984 | 8,488 |
| Sales | - | - | (57) | - | (57) |
| Write-offs | - | - | (1,050) | - | (1,050) |
| Transfers | - | - | 1,475 | (148) | 1,326 |
| Balance at 31 December 2004 | - | - | 11,631 | 7,040 | 18,671 |

### 2004

| | Installation expenses | Research and development expenses | Industrial property and other rights | Intangible assets in progress | Total |
|---|---|---|---|---|---|
| **Accumulated amortisation and impairment losses:** | | | | | |
| Balance at 1 January 2004 | 7,757 | 16,676 | 4,110 | - | 28,543 |
| Adjustments on restatement to IFRS (Note 47) | (7,757) | (16,676) | (1,532) | - | (25,965) |
| Restated balance at 1 January 2004 | - | - | 2,578 | - | 2,578 |
| Changes in consolidation perimeter | - | - | 1,364 | - | 1,364 |
| Effect of exchange translation | - | - | 36 | - | 36 |
| Increases | - | - | 1,348 | - | 1,348 |
| Decreases | - | - | (47) | - | (47) |
| Write-offs | - | - | (830) | - | (830) |
| Balance at 31 December 2004 | - | - | 4,449 | - | 4,449 |
| **Net** | - | - | 7,182 | 7,040 | 14,222 |

## 18. Tangible assets

The changes in tangible assets and corresponding depreciation in the years ended 31 December 2005 and 2004 are as follows:

### 2005

| | Land | Buildings and other constructions | Basic equipment | Transportation equipment | Administrative equipment | Tools and dies | Other tangible assets | Tangible assets in progress | Advance to suppliers of tangible assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross assets:** | | | | | | | | | | |
| Balance at 1 January 2005 | 268,082 | 505,122 | 2,232,547 | 73,099 | 46,433 | 6,627 | 8,920 | 117,653 | 4,597 | 3,263,079 |
| Changes in consolidation perimeter (Note 5) | (2,716) | 476 | 5,185 | 3,946 | 145 | 45 | 6 | 44 | - | 7,131 |
| Effect of exchange translation | 17,607 | 16,715 | 170,745 | 3,458 | 2,548 | 371 | 137 | 4,963 | 2,083 | 218,626 |
| Additions | 3,678 | 15,403 | 27,468 | 11,199 | 750 | 435 | 320 | 60,589 | 28,363 | 148,204 |
| Sales | (513) | (1,807) | (7,931) | (1,857) | (177) | (104) | (283) | (245) | (55) | (12,972) |
| Write-offs | - | (11) | (3,048) | (578) | (1,259) | - | - | - | - | (4,897) |
| Transfers | 1,099 | 32,785 | 82,167 | 324 | 3,971 | 209 | 1,047 | (118,471) | (3,369) | (238) |
| Balance at 31 December 2005 | 287,237 | 568,683 | 2,507,133 | 89,591 | 52,410 | 7,582 | 10,146 | 64,533 | 31,618 | 3,618,933 |
| **Accumulated depreciation and impairment losses:** | | | | | | | | | | |
| Balance at 1 January 2005 | 30,826 | 231,723 | 1,442,537 | 53,191 | 37,024 | 5,806 | 5,218 | - | - | 1,806,324 |
| Changes in consolidation perimeter (Note 5) | (380) | (96) | 2,932 | 109 | 82 | 16 | 4 | - | - | 2,669 |
| Effect of exchange translation | 312 | 4,938 | 109,968 | 3,255 | 1,721 | 314 | 77 | - | - | 120,585 |
| Increases | 3,283 | 21,991 | 100,935 | 5,348 | 3,375 | 495 | 818 | - | - | 136,245 |
| Sales | (218) | (1,700) | (6,329) | (1,773) | (203) | (140) | (55) | - | - | (10,418) |
| Write-offs | - | (9) | (2,782) | (578) | (1,258) | - | - | - | - | (4,626) |
| Transfers | 172 | 191 | 591 | (179) | (3) | (2) | (155) | - | - | 615 |
| Balance at 31 December 2005 | 33,996 | 257,040 | 1,647,852 | 59,373 | 40,737 | 6,489 | 5,907 | - | - | 2,051,394 |
| **Net** | 253,241 | 311,643 | 859,281 | 30,218 | 11,673 | 1,092 | 4,239 | 64,533 | 31,618 | 1,567,539 |

**2004**

| | Land | Buildings and other constructions | Basic equipment | Transportation equipment | Administrative equipment | Tools and dies | Other tangible assets | Tangible assets in progress | Advance to suppliers of tangible assets | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Gross assets:** | | | | | | | | | | |
| Balance at 1 January 2004 | 207,272 | 1,088,716 | 2,579,912 | 64,791 | 44,861 | 6,901 | 8,967 | 141,092 | 8,842 | 4,151,353 |
| Adjustments on restatement to IFRS (Note 47) | 47,796 | (615,888) | (474,187) | (7,070) | (42) | (286) | (64) | - | (1,659) | (1,051,400) |
| Restated balance at 1 January 2004 | 255,068 | 472,828 | 2,105,725 | 57,721 | 44,819 | 6,615 | 8,903 | 141,092 | 7,183 | 3,099,954 |
| Changes in consolidation perimeter | 14,344 | 14,528 | 20,756 | 2,061 | 213 | 9 | 196 | 706 | - | 52,813 |
| Effect of exchange translation | (549) | (466) | (7,461) | (469) | (99) | (63) | (47) | (572) | (17) | (9,745) |
| Additions | 683 | 1,522 | 30,442 | 13,182 | 1,631 | 181 | 800 | 90,643 | 3,904 | 142,989 |
| Sales | (763) | (1,005) | (12,103) | (3,539) | (430) | (136) | (71) | (2,026) | - | (20,073) |
| Write-offs | - | (385) | (216) | (113) | (233) | (65) | (1,468) | - | - | (2,481) |
| Transfers | (701) | 18,101 | 95,405 | 4,256 | 532 | 85 | 607 | (112,189) | (6,473) | (378) |
| Balance at 31 December 2004 | 268,082 | 505,122 | 2,232,547 | 73,099 | 46,433 | 6,627 | 8,920 | 117,653 | 4,597 | 3,263,079 |
| **Accumulated depreciation and impairment losses:** | | | | | | | | | | |
| Balance at 1 January 2004 | 32,958 | 787,789 | 2,033,579 | 56,681 | 35,128 | 5,608 | 6,053 | - | - | 2,957,796 |
| Adjustments on restatement to IFRS (Note 47) | (5,152) | (575,771) | (675,577) | (6,984) | (282) | (40) | (56) | - | - | 1,263,863 |
| Restated balance at 1 January 2004 | 27,806 | 212,017 | 1,358,002 | 49,697 | 34,846 | 5,568 | 5,996 | - | - | 1,693,933 |
| Changes in consolidation perimeter | - | 529 | 6,263 | 1,301 | 60 | 8 | 76 | - | - | 8,237 |
| Effect of exchange translation | 16 | 181 | (746) | (486) | (52) | (61) | (35) | - | - | (1,182) |
| Increases | 3,003 | 18,452 | 85,895 | 2,559 | 2,938 | 476 | 685 | - | - | 114,008 |
| Sales | - | (324) | (10,214) | (3,112) | (426) | (125) | (56) | - | - | (14,258) |
| Write-offs | - | (222) | (175) | (101) | (232) | (61) | (1,461) | - | - | (2,252) |
| Transfers | 1 | 1,090 | 3,513 | 3,331 | (109) | 1 | 13 | - | - | 7,838 |
| Balance at 31 December 2004 | 30,826 | 231,723 | 1,442,537 | 53,191 | 37,024 | 5,806 | 5,218 | - | - | 1,806,324 |
| **Net** | **237,256** | **273,399** | **790,011** | **19,908** | **9,409** | **821** | **3,702** | **117,653** | **4,597** | **1,456,755** |

As explained in Note 47, on the date of transition to IFRS, in accordance with the provisions of IFRS 1, the Group opted to measure the majority of its tangible fixed assets relating to the cement segment at fair value as of that date, which then became considered as the new cost. Consequently, both the gross value and accumulated depreciation of those assets were restated.

In addition, as explained in Note 47, on the transition date the value of the operating land was increased to reflect the estimated future cost of environmental recovery and rehabilitation of the land, which also increased liabilities.

Tangible assets in progress and advances to suppliers of tangible assets in the year ended 31 December 2005 include the construction and improvement of installations and equipment of the cement sector of several production units, essentially in the Brazil, South Africa, Spain and Portugal business areas.

## 19. Investments in associates

The changes in investments in associates in the years ended 31 December 2005 and 2004, are as follows:

**2005**

| | Investment | Goodwill | Total |
|---|---|---|---|
| Balance at 1 January 2005 | 179,647 | 86,758 | 266,405 |
| Changes in consolidation perimeter (Note 5) | (82,256) | (49,900) | (132,156) |
| Effect of exchange translation | 5,184 | 3,443 | 8,627 |
| Equity method effect: | | | |
| On profit (Note 12) | 23,535 | - | 23,535 |
| On shareholders' equity | (5,866) | - | (5.866) |
| Dividends received | (3,892) | - | (3,892) |
| Acquisitions and increases | 48,074 | 229 | 48,303 |
| Balance at 31 December 2005 | 164,425 | 40,530 | 204,955 |

Acquisitions and increases in the year ended 31 December 2005 correspond essentially to the Group's participation in the capital increase of C+PA, in which the amount subscribed amounted to 48,000 thousand euros.

These investments are recorded in accordance with the equity method, the differences in relation to cost being reflected in the appropriate captions, as follows:

| | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| Associates | Investment | Goodwill | Provisions | Gain and loss on associates (Note 12) | Free reserves - Adjustment of investments (Note 31) | Retained earnings | Book value |
| Cimentos Madeira Group | 748 | - | - | 834 | (1,560) | 5,236 | 5,258 |
| Prescor | 257 | - | - | 101 | (46) | 12 | 325 |
| Setefrete | 1,100 | 2,288 | - | 304 | 130 | 38 | 3,860 |
| Cortezo | 2 | - | - | (11) | (5) | 18 | 4 |
| Keefers | 1,003 | - | - | (1) | 608 | (1,595) | 15 |
| Cementos Antequera | 1,062 | 5,099 | - | 176 | (17) | 1,141 | 7,461 |
| C + PA | 95,882 | 1,598 | - | 10,936 | - | 1,149 | 109,565 |
| Arenor | 6,545 | 4,415 | - | 332 | 3 | - | 11,296 |
| Auxiliar de Áridos | 40 | - | - | (5) | - | 40 | 75 |
| Cecime | (156) | 1,416 | 460 | (144) | - | (160) | 1,416 |
| Nova Cimangola | 37,792 | 22,271 | - | 1,963 | 411 | 3,244 | 65,681 |
| | 144,276 | 37,087 | 460 | 14,484 | (475) | 9,124 | 204,955 |

Financial information on associates as of 31 December 2005 is as follows:

| | |
|---|---|
| Total assets | 504,307 |
| Total liabilities | (122,713) |
| Total shareholders' equity | 381,594 |
| Group's share of shareholders' equity | 204,955 |
| Sales and services rendered | 166,217 |
| Net profit for the year | 31,444 |
| Group's share of net profit for the year | 14,484 |

**2004**

| | Investment | Goodwill | Total |
|---|---|---|---|
| Balance at 1 January 2004 | 77,199 | 71,252 | 148,451 |
| Adjustments on restatement to IFRS (Note 47) | (3,361) | (11,672) | (15,033) |
| Restated balance at 1 January 2004 | 73,838 | 59,580 | 133,418 |
| Changes in consolidation perimeter | 41,238 | 30,037 | 71,275 |
| Effect of exchange translation | (3,319) | (2,164) | (5,483) |
| Equity method effect: | | | |
| On profit (Note 12) | 39,039 | - | 39,039 |
| On shareholders' equity | 3,867 | - | 3,867 |
| Dividends received | (3,334) | - | (3,334) |
| Acquisitions and increases | 27,343 | 283 | 27,626 |
| Transfers | 975 | - | 975 |
| Sales and write-offs | - | (977) | (977) |
| Balance at 31 December 2004 | 179,647 | 86,758 | 266,405 |

These investments are recorded in accordance with the equity method, the differences in relation to cost being reflected in the appropriate captions, as follows:

| | Cost | | | | | | |
|---|---|---|---|---|---|---|---|
| Associates | Investment | Goodwill | Provisions | Gain and loss on associates (Note 12) | Free reserves - Adjustment of investments (Note 31) | Retained earnings | Book value |
| Cimentos Madeira Group | 748 | - | - | 1,655 | 1,584 | 1,747 | 5,735 |
| Prescor | 257 | - | - | 114 | 51 | (194) | 228 |
| Setefrete | 1,100 | 2,288 | - | 21 | 375 | 278 | 4,062 |
| Cortezo | 2 | - | - | 1 | 5 | 7 | 15 |
| Keefers | 1,003 | - | - | - | (608) | (379) | 16 |
| Semapa | 43,543 | 73,337 | | 34,384 | (810) | (19,251) | 131,203 |
| Cementos Antequera | 1,062 | 5,099 | - | - | - | 1,033 | 7,193 |
| C + PA | 47,882 | 1,598 | - | 2,354 | - | (1,206) | 50,629 |
| Arenor | 6,545 | 4,415 | - | 7 | - | - | 10,967 |
| Auxiliar de Áridos | 40 | - | - | 40 | - | - | 80 |
| Cecime | (212) | 1,187 | 372 | (160) | - | - | 1,187 |
| Nova Cimangola | 37,792 | 22,271 | - | 623 | (5,595) | - | 55,091 |
| | 139,761 | 110,195 | 372 | 39,039 | (4,998) | (17,964) | 266,405 |

Financial information on associates as of 31 December 2004 is as follows:

| | |
|---|---|
| Total assets | 1,758,451 |
| Total liabilities | (1,065,320) |
| Total shareholders' equity | 693,131 |
| Group's share of shareholders' equity | 266,405 |
| Sales and services rendered | 481,973 |
| Net profit for the year | 178,239 |
| Group's share of net profit for the year | 39,039 |

## 20. Available-for-sale financial assets and other investments

The changes in the available-for-sale financial assets and other investments in the years ended 31 December 2005 and 2004 are as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Other investments | Available-for--sale financial assets | Other investments | Available-for--sale financial assets |
| **Gross investment:** | | | | |
| Opening balance | 17,685 | 52,334 | 24,657 | 59,226 |
| Adjustments on restatement to IFRS (Note 47) | - | - | (3,105) | - |
| Restated beginning balance | 17,685 | 52,334 | 21,552 | 59,226 |
| Changes in consolidation perimeter (Note 5) | - | - | (2,976) | - |
| Effect of exchange translation | 840 | - | 9 | - |
| Revaluation/adjustments | - | 16,886 | - | (1,535) |
| Increases | 763 | - | 463 | - |
| Transfers | 5,525 | - | (1,063) | - |
| Sales and write-offs | (535) | - | (299) | (5,357) |
| Closing balance | 24,278 | 69,220 | 17,685 | 52,334 |
| **Deductions from investments:** | | | | |
| Opening balance | 10,107 | - | 9,176 | - |
| Adjustments on restatement to IFRS (Note 47) | - | - | - | - |
| Restated beginning balance | 10,107 | - | 9,176 | - |
| Effect of exchange translation | 252 | - | 11 | - |
| Impairment losses in the year | - | - | 1,102 | - |
| Transfers | 3,060 | - | (181) | - |
| Closing balance | 13,419 | - | 10,107 | - |
| **Net** | | | | |
| Opening balance | 7,578 | 52,334 | 12,376 | 59,226 |
| Closing balance | 10,859 | 69,220 | 7,578 | 52,334 |

Available-for-sale financial assets at 31 December 2005 consist of the investment in Cementos Lemona, which is stated at market value, the related adjustment being recorded in the fair value reserve caption. The accumulated amount in reserves at 31 December 2005 totalled 15,351 thousand euros before tax.

The caption Other investments includes non-current financial assets stated at cost, adjusted for estimated impairment losses.

## 21. Deferred taxes

The changes in deferred taxes in the years ended 31 December 2005 and 2004 are as follows:

### 2005

| | Balance at 1 January | Changes in consolidation perimeter (Note 5) | Effect of exchange translation | Income tax (Note 13) | Shareholders' equity (Note 13) | Balance at 31 December |
|---|---|---|---|---|---|---|
| Deferred tax assets: | | | | | | |
| Intangible assets adjustments | 2,034 | - | 152 | (389) | - | 1,797 |
| Goodwill adjustments | 5,248 | - | 2,603 | 10,376 | - | 18,227 |
| Revaluation and tangible assets adjustments | 10,976 | (14) | 2,674 | (1,266) | - | 12,370 |
| Tax losses carried forward | 39,667 | - | 126 | (22,188) | (7,756) | 9,850 |
| Provisions for risks and charges | 14,217 | - | 2,569 | 480 | 4,136 | 21,403 |
| Doubtful accounts adjustments | 1,679 | (20) | (31) | 438 | - | 2,067 |
| Inventory depreciation adjustments | 1,833 | - | 78 | (87) | - | 1,824 |
| Investment adjustments | 1,461 | - | 4 | (433) | - | 1,031 |
| Others | 25,809 | - | (344) | (2,672) | (223) | 22,570 |
| | **102,924** | **(34)** | **7,831** | **(15,740)** | **(3,842)** | **91,138** |
| Deferred tax liabilities: | | | | | | |
| Revaluation and tangible assets adjustments | 104,243 | (9) | 1,904 | 2,086 | - | 108,223 |
| Investment adjustments | - | - | - | 12,956 | - | 12,956 |
| Available-for-sale financial assets | - | - | - | - | 2,376 | 2,376 |
| Provisions for risks and charges | 2,520 | - | - | 484 | - | 3,004 |
| Others | 4,872 | - | 1,486 | 2,553 | 181 | 9,092 |
| | **111,635** | **(9)** | **3,390** | **18,079** | **2,556** | **135,650** |
| Net deferred taxes | **(8,711)** | **(25)** | **4,441** | **(33,819)** | **(6,398)** | **(44,512)** |

### 2004

| | Balance at 1 January | Adjustments on restatement to IFRS (Note 47) | Restated balance at 1 January | Changes in consolidation perimeter | Effect of exchange translation | Income tax (Note 13) | Shareholders' equity (Note 13) | Transfers | Balance at 31 December |
|---|---|---|---|---|---|---|---|---|---|
| Deferred tax assets: | | | | | | | | | |
| Intangible assets adjustments | 69 | 1,127 | 1,196 | - | 1 | 838 | - | - | 2,034 |
| Goodwill adjustments | 7,246 | - | 7,246 | - | 81 | (2,080) | - | - | 5,248 |
| Revaluation and tangible assets adjustments | 32,639 | (24,121) | 8,518 | - | (346) | 2,804 | - | - | 10,976 |
| Tax losses carried forward | 45,564 | - | 45,564 | 412 | (40) | (19,748) | 13,343 | 136 | 39,667 |
| Provisions for risks and charges | 12,128 | 1,069 | 13,197 | 7 | 74 | (370) | 1,309 | - | 14,217 |
| Doubtful accounts adjustments | 3,012 | - | 3,012 | 8 | (31) | (1,310) | - | 1 | 1,679 |
| Inventory depreciation adjustments | 2,389 | - | 2,389 | 60 | (29) | (588) | - | - | 1,833 |
| Investment adjustments | 1,220 | - | 1,220 | - | (0) | 241 | - | - | 1,461 |
| Others | 865 | 27,356 | 28,222 | - | 15 | (3,190) | 763 | - | 25,809 |
| | **105,132** | **5,431** | **110,563** | **487** | **(275)** | **(23,403)** | **15,414** | **138** | **102,924** |
| Deferred tax liabilities: | | | | | | | | | |
| Revaluation and tangible assets adjustments | 76,101 | 30,845 | 106,946 | 221 | 300 | (3,225) | - | - | 104,243 |
| Investment adjustments | 757 | - | 757 | - | - | (757) | - | - | - |
| Provisions for risks and charges | 1,423 | - | 1,423 | - | - | 1,097 | - | - | 2,520 |
| Others | 4,149 | - | 4,149 | - | 182 | 151 | 390 | - | 4,872 |
| | **82,430** | **30,845** | **113,275** | **221** | **482** | **2,734** | **390** | **-** | **111,635** |
| Net deferred taxes | **22,701** | **(25,414)** | **(2,712)** | **266** | **(758)** | **(20,669)** | **15,024** | **138** | **(8,711)** |

The deferred tax assets are recorded directly on shareholder's equity when the situations that have originated them have similar impact, namely:

- The deferred tax assets related to tax losses recognised in shareholder's equity, resulting essentially from exchange losses originated in the conversion of loans that configure extensions of financial investments (Note 2.10.), recorded on Exchange translation adjustments (Note 30);
- The deferred tax assets recorded on Reserves related to provisions, resulted from the tax effect associated to the actuarial gains and losses recorded directly on Reserves (Note 2.17.);
- The deferred tax liabilities related to Available-for-sale financial assets, resulted from its valuations to market values, which are recorded on Fair value reserve.

The caption Other deferred tax assets includes essentially the effect of recording derivative financial instruments (Note 38).

At 31 December 2005 the Group had tax losses carried forward of 109,988 thousand euros (2004: 206,024 thousand euros) for deduction from future profits, a deferred tax asset of 9,850 thousand euros having been recognised (2004: 39,667 thousand euros). Deferred tax assets of 81,146 thousand euros (2004: 82,229 thousand euros) have not been recognised due to the uncertainty as to their recovery, of which 71,704 thousand euros (2004: 77,370 thousand euros) expire in 2008.

## 22. Accounts receivable - other

The caption Accounts receivable - other at 31 December 2005 and 2004 is made up as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Associates | 725 | - | 32 | - |
| Participated and participating companies | 612 | - | 1,549 | - |
| Other shareholders | 182 | - | 49 | - |
| Advances to suppliers of fixed assets | 145 | - | 223 | - |
| Other debtors | 15,304 | 2,348 | 18,509 | 1,535 |
| | **16,968** | **2,348** | **20,363** | **1,535** |

The caption Other debtors includes balances receivable from several entities on transactions not related to the Group's core operations.

## 23. Taxes recoverable and taxes payable

Taxes recoverable and taxes payable at 31 December 2005 and 2004 are made up as follows:

**Taxes Recoverable:**

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Corporate income tax | 19,896 | - | 16,346 | - |
| Personal income tax | 4,939 | - | 1,208 | - |
| Value added tax | 8,364 | - | 14,551 | - |
| Social security contributions | 1 | - | 1 | - |
| Others | 1,120 | 2,594 | 564 | 2,677 |
| | **34,319** | **2,594** | **32,669** | **2,677** |

**Taxes payable:**

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Corporate income tax | 19,106 | - | 7,800 | - |
| Personal income tax | 2,686 | - | 3,900 | - |
| Value added tax | 14,512 | 4,095 | 11,794 | 3,912 |
| Social security contributions | 3,351 | - | 3,071 | - |
| Others | 5,699 | - | 3,158 | - |
| | **45,354** | **4,095** | **29,723** | **3,912** |

## 24. Other current and non-current assets

Other current and non-current assets at 31 December 2005 and 2004 are made up as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Accrued interest | 325 | - | 46 | - |
| Derivative financial instruments (Note 38) | - | 1,220 | 7,300 | - |
| Other deferred costs and accrued income | 2,685 | - | 1,836 | - |
| | **3,011** | **1,220** | **9,182** | **-** |

## 25. Inventories

Inventories at 31 December 2005 and 2004 are made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Raw, subsidiary and consumable materials | 123,319 | 108,233 |
| Work in process | 32,142 | 28,820 |
| Subproducts and waste | 130 | 143 |
| Finished and semi-finished products | 14,238 | 11,010 |
| Merchandise | 13,914 | 11,013 |
| Advances on account of purchases | 1,033 | 2,733 |
| | 184,777 | 161,952 |
| Accumulated inventory adjustments | (11,159) | (10,159) |
| | **173,618** | **151,793** |

## 26. Accounts receivable - trade

The caption Accounts receivable - trade at 31 December 2005 and 2004 is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Trade | 249,452 | 223,876 |
| Notes receivable - trade | 2,925 | 2,768 |
| Doubtful trade accounts receivable | 2,182 | 1,945 |
| Advances to suppliers | 4,095 | 3,944 |
| | **258,654** | **232,533** |

The amounts reflected on the balance sheet are net of accumulated impairment losses on doubtful trade accounts receivable, which were estimated based on experience and assessment of the financial environment.

The Board of Directors believes that the book value of the accounts receivable is close to its fair value.

The Group does not have a significant concentration of credit risk, as the risk is spread over a broad range of trade and other debtors.

## 27. Obligations under leases

### Finance Leases

| | Minimum lease payments | | | |
|---|---|---|---|---|
| | 2005 | | 2004 | |
| | Present value | Future value | Present value | Future value |
| Up to 1 year | 1,632 | 1,704 | 1,574 | 1,706 |
| From 1 to 5 years | 687 | 733 | 2,299 | 2,415 |
| More than 5 years | - | - | - | - |

### Operating Leases

The Cimpor Group's current operating lease contracts relate essentially to vehicles and office equipment.

Future commitments under the current operating lease contracts are as follows:

| | Minimum lease payments | |
|---|---|---|
| | Future value | |
| | 2005 | 2004 |
| Up to 1 year | 2,595 | 2,469 |
| From 1 to 5 years | 2,951 | 3,455 |
| More than 5 years | - | - |

Total operating lease costs recognised in the consolidated statement of profit and loss for the year ended 31 December 2005 amounted to 2,671 thousand euros (2,676 thousand euros in 2004).

## 28. Share Capital

The Company's fully subscribed and paid up capital at 31 December 2005 consisted of 672,000,000 privatised shares, listed with a nominal value of one euro each.

## 29. Treasury shares

Commercial legislation relating to treasury shares requires that a free reserve in an amount equal to the cost of treasury shares be frozen while the shares are not sold. In addition, the applicable accounting rules require that gains and losses on the sale of treasury shares be recorded in reserves.

At 31 December 2005 and 2004 Cimpor had 3,867,300 and 4,751,960 treasury shares, respectively.

The changes in treasury shares in the years ended 31 December 2005 and 2004 are as follows:

| | Quantity | Value |
|---|---|---|
| Balance at 1 January 2004 | 5,340,565 | (17,403) |
| Treasury shares sale | (588,605) | 1,868 |
| Balance at 1 January 2005 | 4,751,960 | (15,535) |
| Treasury shares sale | (884,660) | 2,738 |
| Balance at 31 December 2005 | **3,867,300** | **(12,796)** |

## 30. Exchange translation adjustments

Exchange translation adjustments result from the translation to euro of the foreign currency financial statements of subsidiaries included in the consolidation and, where applicable, the exchange differences referred to in Note 36.

In addition, this caption includes the effect of financial instruments contracted to hedge investments in foreign entities (Note 38), to the extent that they comply with the criteria defined in IAS 39, as regards formalisation and efficiency of the hedge.

The changes in this caption in the years ended 31 December 2005 and 2004 are as follows:

| | |
|---|---|
| Balance at 1 January 2004 | (419,734) |
| Adjustments on restatement to IFRS (Note 47) | 419,734 |
| Restated balance at 1 January 2004 | - |
| Effect of exchange translation | 13,399 |
| Hedging of financial investments | (4,751) |
| Balance at 1 January 2005 | 8,648 |
| Effect of exchange translation | 209,241 |
| Hedging of financial investments | (5,404) |
| Balance at 31 December 2005 | **212,486** |

## 31. Reserves

The changes in these captions in the years ended 31 December 2005 and 2004 are as follows:

| | Legal reserve | Free reserves | Fair value reserve | Hedging operations |
|---|---|---|---|---|
| Balance at 1 January 2004 | 67,200 | 173,881 | - | - |
| Adjustments on restatement to IFRS (Note 47) | | (3,259) | | (299) |
| Restated balance at 1 January 2004 | 67,200 | 170,622 | - | (299) |
| Appropriation of consolidated profit | 9,300 | | - | - |
| Purchase/(sale) of treasury shares | - | 37 | - | - |
| Employee bonuses and share purchase options | - | 913 | - | - |
| Actuarial gain and loss on employee benefit plans | - | (3,207) | - | - |
| Adjustments in equity investments in associates and others | - | (2,078) | - | - |
| Variation in fair value of hedging financial instruments | - | - | - | (744) |
| Variation in fair value of available-for-sale investments | - | - | (1,535) | - |
| Balance at 1 January 2005 | 76,500 | 166,288 | (1,535) | (1,043) |
| Appropriation of consolidated profit | 9,300 | - | - | - |
| Purchase/(sale) of treasury shares | - | 60 | - | - |
| Employee bonuses and share purchase options | - | 1,242 | - | - |
| Actuarial gain and loss on employee benefit plans | - | (11,185) | - | - |
| Adjustments in equity investments in associates and others | - | 8,042 | - | - |
| Variation in fair value of hedging financial instruments | - | - | - | 746 |
| Variation in fair value of available-for-sale investments | - | - | 14,442 | - |
| Balance at 31 December 2005 | **85,800** | **164,445** | **12,907** | **(297)** |

Commercial legislation establishes that at least 5% of annual net profit must be appropriated to a legal reserve until the reserve equals at least 20% of share capital. This reserve is not available for distribution except upon liquidation of the company, but can be used to absorb losses once the other reserves have been exhausted, or to increase capital.

## 32. Retained earnings

The changes in retained earnings in the years ended 31 December 2005 and 2004 are as follows:

| | |
|---|---|
| Balance at 1 January 2004 | 298,759 |
| Adjustments on restatement to IFRS (Note 47) | (364,443) |
| Restated balance at 1 January 2004 | (65,684) |
| Appropriation of consolidated profit | 63,118 |
| Adjustments in equity investments in associates and others | 339 |
| Balance at 1 January 2005 | (2,228) |
| Appropriation of consolidated profit | 126,550 |
| Adjustments in equity investments in associates and others | (5,930) |
| Balance at 31 December 2005 | **118,392** |

## 33. Minority interest

The changes in this caption in the years ended 31 December 2005 and 2004 are as follows:

| | 2005 | 2004 |
|---|---|---|
| Opening balance | 63,672 | 61,787 |
| Changes in consolidation perimeter (Note 5) | (115) | 837 |
| Effect of exchange translation | 2,394 | (641) |
| Dividends | (11,139) | (5,783) |
| Supplementary capital contributions | 760 | 1,900 |
| Increase in investments | (480) | (2,136) |
| Other changes in shareholders' equity of subsidiary companies | 62 | 41 |
| Results for the year attributable to minority interests | 10,334 | 7,665 |
| Closing balance | **65,488** | **63,672** |

## 34. Loans

Loans at 31 December 2005 and 2004 are made up as follows:

| | 2005 | 2004 |
|---|---|---|
| **Non-currents liabilities:** | | |
| Bonds | 921,678 | 885,917 |
| Bank loans | 489,540 | 413,431 |
| Other loans | 5,797 | 8,925 |
| | **1,417,015** | **1,308,273** |
| **Currents liabilities:** | | |
| Bonds | 2,831 | 3,134 |
| Bank loans | 31,060 | 150,749 |
| Other loans | 2,650 | 2,403 |
| | **36,541** | **156,287** |
| | **1,453,556** | **1,464,560** |

### Bonds

Non-convertible bonds at 31 December 2005 and 2004 are made up as follows:

| Issuer | Financial instrument | Issue | Interest rate | Conditions / repayment | 2005 Current | 2005 Non-current | 2004 Current | 2004 Non-current |
|---|---|---|---|---|---|---|---|---|
| CIMPOR Financial Operations B.V. | Eurobonds | 27 May 2004 | Fixed rate of 4.50% | 27 May 2011 | - | 596,202 | - | 595,500 |
| CIMPOR Financial Operations B.V. | US Private Placement 10Y | 27 June 2003 | Fixed rate of 4.75% | 27 June 2013 | - | 118,977 | - | 105,153 |
| CIMPOR Financial Operations B.V. | US Private Placement 12Y | 27 June 2003 | Fixed rate of 4.90% | 27 June 2015 | - | 205,084 | - | 180,563 |
| Cimentos de Moçambique S.A.R.L | Bonds | 13 December 2004 | TAM + 5.25% | (i) | 2,831 | 1,415 | 3,134 | 4,701 |
| | | | | | **2,831** | **921,678** | **3,134** | **885,917** |

(i) 5 Half yearly payments starting June 2005

The above US Private Placements at 31 December 2004 were an integral part of a fair value hedge designated by the Group, which were formally documented in accordance with IAS 39.

As a result of applying the provisions of IAS 39 as regards hedge accounting (Note 38), the US Private Placements at 31 December 2004 incorporate variations in fair value of 58,994 thousand euros at that date.

As explained in Note 2.2, in the year ended 31 December 2005, as a result of the amendments to IAS 39 and related transitory provisions, the Group opted to stop the designation of the above mentioned hedge relationship, designating such loans as fair value liabilities through profit and loss.

This change had no impact on the measurement and recognition of the amount of either the loans or the derivative hedging instruments. However the previous requirement to perform effectiveness tests became unnecessary.

The variations in fair value incorporated in the book value of the US Private Placements at 31 December 2005 amounted to 20,649 thousand euros.

### Bank loans

Bank loans at 31 December 2005 and 2004 are made up as follows:

| | | | Non-current | |
|---|---|---|---|---|
| **Type** | **Currency** | **Interest rate** | **2005** | **2004** |
| Syndicated loan | EUR | Euribor + 0.50% | - | 300,000 |
| Bilateral | EUR | Euribor + 0.275% | 392,500 | - |
| EIB Loan | EUR | EIB Basic Rate | 60,000 | 60,000 |
| Bilateral | EGP | Caibor + 1.125% | 14,502 | 15,833 |
| Bilaterals | BRL | Several | 11,178 | 11,101 |
| Bilateral | EUR | Euribor + 1.5% | 9,375 | 15,625 |
| Bilaterals | EUR | Several | 1,985 | 10,549 |
| Bilateral | EGP | 11.70% | - | 62 |
| Bilaterals | ZAR | Several | - | 261 |
| | | | **489,540** | **413,431** |

| | | | Current | |
|---|---|---|---|---|
| **Type** | **Currency** | **Interest rate** | **2005** | **2004** |
| Bilateral | USD | Libor + 1% | - | 4,512 |
| Bilateral | EGP | Caibor + 1.125% | 4,411 | 3,958 |
| Bilateral | EGP | 11,7% | 76 | 520 |
| Bilateral | EUR | Euribor + 1.5% | 6,250 | 6,250 |
| Bilaterals | BRL | Several | 3,608 | 3,068 |
| Bilaterals | ZAR | Several | - | 358 |
| Others | EUR | Several | 8,787 | 6,766 |
| Overdrafts | MAD | Several | 7,528 | 4,216 |
| Overdrafts | CVE | Several | 129 | - |
| Overdrafts | TND | Several | - | 1,997 |
| Overdrafts | ZAR | Several | 271 | 82 |
| Overdrafts | EGP | Several | - | 12,031 |
| Overdrafts | EUR | Several | - | 15,994 |
| Bilateral | EUR | Euribor + 0.675% | - | 87,500 |
| Bilaterals | EUR | Several | - | 3,496 |
| | | | **31,060** | **150,749** |

The non-current portion of loans at 31 December 2005 and 2004 is repayable as follows:

| | 2005 | 2004 |
|---|---|---|
| 2006 | - | 141,963 |
| 2007 | 19,514 | 148,360 |
| 2008 | 417,382 | 80,930 |
| 2009 | 15,399 | 14,149 |
| 2010 | 11,710 | 7,639 |
| 2011 | 602,869 | 602,849 |
| 2011 and following years | 350,142 | 312,383 |
| | **1,417,015** | **1,308,273** |

The loans at 31 December 2005 and 2004 are expressed in the following currencies:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| **Currency** | **Currency** | **Euros** | **Currency** | **Euros** |
| EUR | - | 1,083,529 | - | 1,113,009 |
| USD | 404,009 | 324,068 | 410,146 | 290,228 |
| EGP | 128,554 | 18,989 | 267,920 | 32,405 |
| MZM | 118,999,980 | 4,246 | 198,333,300 | 7,835 |
| BRL | 40,575 | 14,787 | 51,218 | 14,169 |
| ZAR | 2,024 | 271 | 5,392 | 701 |
| MAD | 82,132 | 7,538 | 47,297 | 4,216 |
| CVE | 14,164 | 128 | 3,266 | 1,997 |
| | | **1,453,556** | | **1,464,560** |

The foreign currency loans bear interest at market rates and were translated to euros at the rates of exchange on the balance sheet date.

**Rating**

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 assessment of risk of these operations for the financial institutions.

**Control of the subsidiary companies**

The majority of the loan operations of the operating and sub-holding companies do not establish the need for CIMPOR - Cimentos de Portugal, SGPS, S.A. to maintain 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.

The comfort letters provided by the Parent company and other subsidiary companies at 31 December 2005 and 2004 totalled 480,682 and 462,482 thousand euros, respectively.

**Financial Covenants**

The loan contracts also contain financial covenants for certain financial ratios to be maintained at previously agreed levels.

The principal loans include commitments to maintain the following financial ratios:

- Net debt / EBITDA
- EBITDA / (Financial expenses - Financial income)

At 31 December 2005 and 2004 these ratios were within the commitments established.

**Negative pledge**

The majority of the financing 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.

## 35. Accounts payable - others

Accounts payable - others at 31 December 2005 and 2004 are made up as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Associates | 386 | - | 297 | - |
| Participated and participant companies | 93 | - | 98 | - |
| Other shareholders | 6,226 | 191 | 4,475 | 200 |
| Suppliers of fixed assets | 22,430 | 19,590 | 27,691 | 12,978 |
| Other creditors | 28,219 | 68 | 13,242 | 372 |
| | **57,354** | **19,849** | **45,803** | **13,550** |

Other creditors include amounts payable to several entities on transactions not related to the Group's core operations.

## 36. Other current and non-current liabilities

The caption Other non-current liabilities at 31 December 2005 and 2004 is made up as follows:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Accrued interest | 18,196 | - | 18,317 | - |
| Increased tax assessment (a) | - | 16,637 | - | 11,286 |
| Accrued remuneration | 16,019 | - | 14,552 | - |
| Derivative financial instruments (Note 38) | 6,986 | 100,721 | 8,172 | 139,802 |
| Investment subsidies | - | 6,507 | - | 3,933 |
| $CO_2$ emission licences (Note 11) (b) | 887 | - | - | - |
| Other accrued costs and deferred income | 8,344 | - | 6,912 | - |
| | **50,432** | **123,865** | **47,953** | **155,021** |

(a) Tax legislation in Brazil includes taxes based on income generated in each period. One of the subsidiaries in Brazil is questioning, in the courts, the rate of those taxes as well as the basis on which it is calculated. The increased tax assessment corresponds to the amount claimed by the Brazilian tax authorities, which is being questioned by the subsidiary.

(b) In transposing European Union and Council Directive 2003/87/CE to internal legal orders, lists of the installations of participants in the trading of emissions and the respective emission licences granted for the 2005 to 2007 period have been approved by the Portuguese and Spanish governments.

Eight installations of Group companies, four in Portugal (Fábrica de Cal Hidráulica do Cabo Mondego and Alhandra, Loulé and Souselas Production Centres) and four in Spain (Oural, Toral de los Vados, Córdoba and Niebla Production Centres) have been considered, licences corresponding to emissions of 4,015,279 tons and 1,773,890 tons of $CO_2$, respectively, per annum, have been attributed.

The Group estimated the emissions of these installations to amount to 5,830,794 tons of $CO_2$ in the year ended 31 December 2005, still subject to external validation, resulting in a deficit of 41,625 emission licences.

In order to cover this deficit, although only partially, in 2005 the Company acquired 25,000 emission licences at a cost of 21.30 euros each (totalling 533 thousand euros).

In addition, at 31 December 2005 a liability of 887 thousand euros was recognised, by corresponding charge to the caption Other operating expenses, corresponding to the effective excess emissions in the year ended 31 December 2005 in relation to the licences granted at no cost, calculated at the above mentioned price of the licences acquired.

## 37. Accounts payable - trade

The caption Accounts payable - trade at 31 December 2005 and 2004 is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Trade | 101,712 | 109,424 |
| Suppliers - invoices for approval | 10,204 | 6,508 |
| Notes payable - trade | 30,781 | 27,584 |
| Advances from clients | 2,601 | 2,660 |
| | **145,298** | **146,176** |

## 38. Derivative financial instruments

Under the risk management policy of the Cimpor Group, a range of derivative financial instruments have been contracted at 31 December 2005 and 2004 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 adequate to hedge the risks.

These operations 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 their market value and sensitivity of the projected cash flows and market value to changes in key variables, with the aim of assessing their financial effect.

The recognition of financial instruments and their classification as hedging or trading instruments, is based on the provisions of IAS 39.

Hedge accounting is applicable to financial derivative instruments that are effective as regards the elimination of variations in the fair value or cash flows of the underlying assets/liabilities. The effectiveness of such operations is verified on a regular quarterly basis. Hedge accounting covers three types of operations:

- Fair value hedging
- Cash flow hedging
- Hedging of net investments in foreign entities

Fair value hedging instruments are 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 instruments are 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.

Instruments hedging net investment in foreign entities are exchange rate financial derivative instruments that hedge the effect, on shareholders' equity, of the risks on translation of the financial statements of foreign entities. Changes in the fair value of these hedging operations are recorded in the shareholders' equity caption Hedging adjustments until the hedged investment is sold or liquidated.

Instruments held for trading purposes are financial derivative instruments contracted in accordance with the Group's risk management policies 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.

## Fair value of financial instruments

The fair value of derivative financial instruments at 31 December 2005 and 2004 is as follows:

| | Other assets (Note 24) | | | | Other liabilities (Note 36) | | | |
|---|---|---|---|---|---|---|---|---|
| | Current assets | | Non-current assets | | Current liabilities | | Non-current liabilities | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Fair value hedges | | | | | | | | |
| Exchange and interest rate swaps | - | - | - | - | - | - | 1,991 | 83,313 |
| Cash flow hedges | - | - | - | - | - | - | - | - |
| Interest rate swaps | - | - | 516 | - | - | - | 982 | 1,622 |
| Investment hedges | - | - | - | - | - | - | - | - |
| Exchange forwards | - | - | - | - | - | 8,172 | - | - |
| Trading | - | - | - | - | - | - | - | - |
| Exchange and interest rate derivatives | - | 7,300 | 704 | - | 6,986 | - | 39,641 | - |
| Interest rate derivatives | - | - | - | - | - | - | 58,106 | 54,867 |
| | **-** | **7,300** | **1,220** | **-** | **6,986** | **8,172** | **100,721** | **139,802** |

Some derivatives, although in compliance with the Group's risk management policies as regards the management of financial market volatility risks, do not qualify for hedge accounting, and so are classified as trading instruments.

The following schedule shows the operations at 31 December 2005 that qualify as fair value and cash flow hedging instruments:

| Type of hedge | Notional | Type of operation | Maturity | Financial purpose | MtM |
|---|---|---|---|---|---|
| Fair value | EUR 22.325.000 | Cross-Currency Swap | Oct-12 | Principal and interest hedge on intercompany loan from C. Inversiones | (1,991) |
| Cash-Flow | EUR 50.000.000 | Fixed rate | Jun-08 | Hedge of 17% of the 2003-2008 Syndicated Loan | (982) |
| Cash-Flow | EUR 50.000.000 | Fixed rate | Jun-08 | Hedge of 15% of the 332.5 MM EUR bilateral loan from Totta | 516 |
| | | | | | **(2,457)** |

In addition, the portfolio of derivative financial instruments at 31 December 2005 that do not qualify as hedging instruments is made up as follows:

| Notional | Type of operation | Maturity | Financial purpose | MtM |
|---|---|---|---|---|
| USD 150.000.000 | Cross-Currency Swap | Jun-13 | Hedge of 100% of the principle and interest 10Y tranche of the US Private Placements | (9,774) |
| USD 254.000.000 | Cross-Currency Swap | Jun-15 | Hedge of 100% of the principle and interest 12Y tranche of the US Private Placements | (29,868) |
| EUR 150.000.000 | Conditioned variable rate | Dec-09 | Hedge of 53% of the EUR tranche of the 2000-2005 Syndicated Loan liquidated on 30 June 2004 and subsequently allocated to reduce exposure to the variable rate of the Group's overall debt portfolio | |
| EUR 100.000.000 | Fixed rate | Dec-09 | | |
| EUR 250.000.000 | Floor sale over 10Y USD CMS | Dec-09 | Hedge of 17% of the ABN/BNP | (23,128) |
| EUR 50.000.000 | Fixed rate with option for variable rate | Dec-09 | Paribas 2003-2008 Syndicated Loan | (2,822) |
| EUR 216.723.549 | Conditioned variable rate | Jun-15 | | |
| EUR 216.723.549 | Floor sale over 12M USD Libor | Jun-15 | Hedge of 100% of part of the floating cross-currency swap hedging the 12Y tranche of the US Private Placement | (32,156) |
| EUR 216.723.549 | Cap purchase with Knock-out over 6M Euribor | Jun-15 | | |
| EUR 50.000.000 | Fixed rate | Dec-08 | Hedge the 400 MM EUR Totta Loan | 704 |
| USD19.844.835 | Cross-Currency Swap | Jun-06 | Partial hedge of the cash of CCB, Atol and Cimepar | (2,485) |
| USD 36.382.197 | Cross-Currency Swap | Nov-06 | Partial hedge of the cash of CCB, Atol and Cimepar | (4,501) |
| | | | | (104,030) |

As explained in Notes 2.2 and 34, in the year ended 31 December 2005 the Group opted to stop designating the hedge relationship of the US Private Placements with the corresponding financial instruments shown above.

## 39. Provisions and accumulated impairment losses

**Provisions**

The changes in the provisions in the years ended 31 December 2005 and 2004 are as follows:

**2005**

| | Provisions for legal and tax risks | Provision for rehabilitation of land | Provision for employee benefits | Indemnities and other personnel matters | Legal processes | Other provisions for risks and charges | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2005 | 98,917 | 32,309 | 22,897 | 3,280 | 2,135 | 6,804 | 166,342 |
| Changes in consolidation perimeter (Note 5) | - | (73) | - | - | 163 | - | 91 |
| Effect of exchange translation | 2,348 | 3,660 | 55 | 449 | 382 | 32 | 6,926 |
| Increases | 14,521 | 2,170 | 15,010 | 2,121 | 204 | 8,600 | 42,626 |
| Decreases | (21,850) | (655) | - | (154) | - | (441) | (23,100) |
| Utilisation | - | (268) | (4,557) | (3,072) | (780) | (1,182) | (9,859) |
| Balance at 31 December 2005 | **93,937** | **37,144** | **33,404** | **2,624** | **2,104** | **13,813** | **183,027** |

**2004**

| | Provisions for legal and tax risks | Provision for rehabilitation of land | Provision for employee benefits | Indemnities and other personnel matters | Legal processes | Other provisions for risks and charges | Total |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2004 | 90,353 | 5,066 | 16,397 | 5,409 | 1,702 | 9,023 | 127,949 |
| Adjustments on restatements to IFRS (Note 47) | - | 27,758 | 4,898 | - | | (2,454) | 30,202 |
| Restated balance at 1 January 2004 | 90,353 | 32,823 | 21,295 | 5,409 | 1,702 | 6,569 | 158,151 |
| Effect of exchange translation | (732) | 77 | 97 | (92) | 24 | (1) | (626) |
| Increases | 14,483 | 1,293 | 6,297 | 431 | 409 | 463 | 23,376 |
| Decreases | (1,553) | (1,414) | - | (542) | - | (698) | (4,207) |
| Utilisation | (3,633) | - | (4,793) | (1,926) | - | - | (10,351) |
| Transfers | - | (470) | - | - | - | 470 | - |
| Balance at 31 December 2004 | **98,917** | **32,309** | **22,897** | **3,280** | **2,135** | **6,804** | **166,342** |

The provision for rehabilitation of land represents the Group's legal or implicit obligation to rehabilitate land used for quarries. Payment of this liability depends on the period of operation and the beginning of the related work.

The other provisions for risks and charges are to cover specific business risks resulting from the Group's normal operations.

The increases and decreases in the provisions in the years ended 31 December 2005 and 2004 were recorded by corresponding entry to the following accounts:

| | 2005 | 2004 |
|---|---|---|
| Tangible assets: | | |
| Land | (21) | (1,108) |
| Profit and loss for the year: | | |
| Outside supplies and services | (1,501) | (1,555) |
| Payroll | 551 | 2,463 |
| Provisions | 2,766 | 12,182 |
| Financial expenses | 1,574 | 1,334 |
| Share of results of associates | 87 | 373 |
| Income tax (Note 13) | 749 | 963 |
| Shareholder's equity: | | |
| Free reserves | 15,321 | 4,517 |
| | **19,526** | **19,169** |

The amounts recorded in reserves corresponds the amount of actuarial gains and losses relating to benefits attributed to employees.

**Impairment losses**

The changes in accumulated impairment losses in the years ended 31 December 2005 and 2004 were as follows:

| | Investments in associates | Goodwill | Total |
|---|---|---|---|
| Balance at 1 January 2005 | 23,437 | 24,031 | 47,468 |
| Reduction | (23,437) | - | (23,437) |
| Balance at 31 December 2005 | **-** | **24,031** | **24,031** |
| | | | |
| Balance at 1 January 2004 | - | 12,131 | 12,131 |
| Adjustments on restatement to IFRS | 22,460 | 11,900 | 34,360 |
| Restated balance at 1 January 2004 | 22,460 | 24,031 | 46,491 |
| Increases | 977 | - | 977 |
| Balance at 31 December 2004 | **23,437** | **24,031** | **47,468** |

The decrease in impairment losses relating to investments in associates results from the sale of the participation in Semapa, for which an impairment loss had been recognised.

For impairment test purposes, considering the financial statement structure adopted for management purposes, goodwill is distributed by groups of cash generating units corresponding to each geographic segment, due to the existence of synergies between the units of each segment.

In the tests performed, the recoverable value of each group of cash generating units, determined based on the value for use, is compared with the book value. An impairment loss is only recognised if the book value exceeds the recoverable value. Future cash flows are discounted based on the weighted average cost of capital (wacc) adjusted by the specific risks of each market.

The cash flow projections are based on the medium and long term business plans approved by the Board of Directors, plus a perpetuity using a growth rate which does not exceed growth of the respective market.

The main assumptions used to determine the value for use of goodwill are as follows:

| Geographic area | Goodwill | Currency | Discount rate (a) | Long term rate (a) |
|---|---|---|---|---|
| Brazil | 548,077 | BRL | 14.5% | 5.5% |
| Egypt | 85,121 | EGP | 14.8% | 7.5% |
| Spain | 65,089 | EUR | 6.1% | 0.0% |
| South Africa | 136,014 | ZAR | 11.1% | 4.1% |
| Morocco | 3,223 | MAD | 9.0% | 1.8% |
| Tunisia | 71,546 | TND | 9.4% | 2.5% |
| Portugal | 22,325 | EUR | 7.0% | 2.5% |
| Cape Verde | 7,721 | CVE | 11.0% | 2.3% |
| Mozambique | 1,532 | MZM | 19.8% | 7.0% |
| | **940,648** | | | |

(a) In local currency

## 40. Employee benefits

Defined benefit plan

The Group has defined benefit retirement pension plans and healthcare plans, for which the liability is determined annually based on actuarial valuations made by independent entities, the cost determined by these valuations being recognised in the year.

Most of the liability for the retirement benefit plans has been transferred to pension funds managed by specialised independent entities, the liability being determined annually based on actuarial valuations made by independent experts.

The valuations as of 31 December 2005 and 2004 were made using the Projected Unit Credit method and the following assumptions and technical bases:

| | 2005 | 2004 |
|---|---|---|
| **Actuarial technical rate** | | |
| Portugal | 4.20% | 4.50% |
| Spain | 4.00% | 3.90% |
| South Africa | 7.80% | 7.80% |
| **Annual pension growth rate** | | |
| Portugal | 2.25% | 2.25% |
| Spain | 2.25% | 2.25% |
| **Annual fund income rate** | | |
| Portugal | 4.50% | 5.50% |
| Spain | 4.50% | 4.40% |
| **Annual salary growth rate** | | |
| Portugal | 2.50% | 2.50% |
| Spain | 3.25% | 3.25% |
| **Mortality tables** | | |
| Portugal | TV 88/90 | TV 73/77 |
| Spain | PERMF 2000 | PERMF 2000 |
| South Africa | SA 85-90 | SA 85-90 |
| **Nominal growth rate of medical costs** | | |
| Portugal | 5.00% | 5.00% |
| South Africa | 5.80% | 5.80% |

In accordance with the actuarial valuations the supplementary retirement pension and healthcare costs for the years ended 31 December 2005 and 2004 are as follows:

| | Pension plans | | Healthcare plans | | Total | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2005** | **2004** |
| Current service cost | 1,471 | 1,246 | 316 | 278 | 1,788 | 1,524 |
| Interest cost | 3,710 | 3,877 | 748 | 672 | 4,458 | 4,549 |
| Cuts/liquidations | (1,937) | - | - | - | (1,937) | - |
| Expected income of the plans' assets | (3,758) | (3,611) | - | - | (3,758) | (3,611) |
| Total cost/(income) of the defined benefit plans | **(513)** | **1,513** | **1,065** | **950** | **551** | **2,463** |

The difference between the present value of the benefit plan liability and the market value of the funds' assets at 31 December 2005 and 2004 is as follows:

| | Pension plans | | Healthcare plans | | Total | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2005** | **2004** |
| Liability | 91,598 | 80,023 | 21,452 | 15,052 | 113,051 | 95,075 |
| Value of the funds | (79,646) | (72,178) | - | - | (79,646) | (72,178) |
| Deficit | **11,952** | **7,845** | **21,452** | **15,052** | **33,404** | **22,897** |
| Liability for employee benefits: | | | | | | |
| Current liability | 5,288 | 674 | 739 | - | 6,027 | 674 |
| Non-current liability | 6,663 | 7,171 | 20,714 | 15,052 | 27,377 | 22,223 |
| | **11,952** | **7,845** | **21,452** | **15,052** | **33,404** | **22,897** |

The changes in the amount of the defined benefit plans and fund assets in the years ended 31 December 2005 and 2004 are as follows:

| | Pension plans | | Healthcare plans | | Total | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2005** | **2004** |
| Defined benefit liability - 1 January | 80,023 | 77,600 | 15,052 | 12,312 | 95,075 | 89,912 |
| Benefits and bonuses paid | (5,288) | (4,992) | (739) | (483) | (6,027) | (5,475) |
| Current service cost | 1,471 | 1,246 | 316 | 278 | 1,788 | 1,524 |
| Curtailments/liquidations | (1,937) | - | - | - | (1,937) | - |
| Interest cost | 3,710 | 3,877 | 748 | 672 | 4,458 | 4,549 |
| Actuarial gains and losses (a) | 13,619 | 2,291 | 6,144 | 2,164 | 19,763 | 4,455 |
| Exchange differences | - | - | (69) | 110 | (69) | 110 |
| Defined benefit liability - 31 December | **91,598** | **80,023** | **21,452** | **15,052** | **113,051** | **95,075** |
| Value of the pension funds - 1 January | 72,178 | 68,829 | - | - | 72,178 | 68,829 |
| Contributions to the funds | 4,557 | 4,793 | - | - | 4,557 | 4,793 |
| Benefits and bonuses paid by the funds | (5,288) | (4,992) | - | - | (5,288) | (4,992) |
| Expected income of the funds' assets | 3,758 | 3,611 | - | - | 3,758 | 3,611 |
| Actuarial gain in income from the funds' assets (a) | 4,442 | (62) | - | - | 4,442 | (62) |
| Value of the pension funds - 31 December | **79,646** | **72,178** | **-** | **-** | **79,646** | **72,178** |

(a) As from the date of transition to IFRS the Group has applied the new provisions of IAS 19 - Employee benefits, in which actuarial gains and losses are recognised directly in reserves, not affecting profit and loss for the year.

The main assets of the funds at 31 December 2005 and 2004 were as follows:

| | 2005 | 2004 |
|---|---|---|
| Fixed rate bonds | 44,3% | 37,9% |
| Variable rate bonds | 25,5% | 17,6% |
| Shares | 21,1% | 29,5% |
| Real estate investment funds, hedge funds and cash | 9,1% | 15,0% |
| | **100,0%** | **100,0%** |

Defined contribution plan

In the years ended 31 December 2005 and 2004 the Group incurred costs of 840 thousand euros and 825 thousand euros, respectively, with defined contribution plans

## 41. Incentive plan

A Share Purchase Plan for Employees and a Cimpor Share Purchase Option Plan were approved by the Shareholders' General Meeting held on 27 April 2005.

The Board of Directors of Cimpor - Cimentos de Portugal, SGPS, S.A. decides on who is to be a beneficiary of the Share Purchase Plan for Employees, except for members of the Board, in which case the decision is made by the Remuneration Determination Commission.

The beneficiaries have the right to purchase shares at a price equal to seventy-five percent of the closing listed price on the transaction day, up to an overall amount not exceeding half of their gross monthly remuneration.

The entities referred to above also decide on who is to be a beneficiary of the Cimpor Share Purchase Option Plan, the beneficiaries being granted the right to purchase Cimpor shares (initial options) at a price not less than seventy-five percent of the average closing listed prices on the sixty Stock Exchange sessions immediately preceding that date. For each option exercised the beneficiary is given the option to acquire one share in each of the following three years (derived options) at the same price.

The options exercised and shares purchased in the years ended 31 December 2005 and 2004 under these incentive plans, as well as the derived options exercised under the earlier plans are as follows:

| PLAN | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Nº of shares exercised | Unit price | Date | Nº of shares exercised | Unit price | Date |
| Share Purchase Options - Derived Options - 2002 series | 4,750 | 3.70 | 23 March | 6,200 | 3.70 | 31 March |
| Share Purchase Options - Derived Options - 2003 series | 184,330 | 2.84 | 23 March | 182,650 | 2.84 | 25 March |
| Share Purchase Options - Derived Options - 2004 series | 243,880 | 3.20 | 23 March | - | - | - |
| Share Purchase Options granted | 288,200 | 3.30 | 19 May | 266,000 | 3.20 | 28 May |
| | **721,160** | | | **454,850** | | |
| Shares purchased by employees | 163,500 | 3.21 | 11 May | 133,755 | 3.28 | 17 May |
| | **884,660** | | | **588,605** | | |

The changes in this liability in the years ended 31 December 2005 and 2004 are as follows:

| | 2005 | 2004 |
|---|---|---|
| **Changes in the year:** | | |
| Outstanding at the beginning of the year | 1,202,945 | 621,780 |
| Issued during the year | 1,254,800 | 1,182,400 |
| Exercised during the year | 721,160 | 454,850 |
| Lapsed during the year and not exercised | 150,975 | 146,385 |
| Outstanding at the end of the year | **1,585,610** | **1,202,945** |
| **Details of options issued during the year:** | | |
| Maturity date | "May 2005 March 2006, 2007, 2008" | "May 2004 March 2005, 2006, 2007" |
| Exercise price | 3.30 | 3.20 |
| Total value exercised | 4,141 | 3,784 |
| Cost for the year included in personnel costs | 749 | 638 |
| **Details of options exercised during the year:** | | |
| Average exercise price | 3.15 | 3.06 |
| Total value exercised | **2,273** | **1,393** |

The fair value of the share options granted, reflected in Personnel expenses, was calculated based on the Black-Scholes-Merton Model, the Group having recognised costs of 1,242 thousand euros in 2005 (913 thousand euros in 2004) relating to equity settled payment plans, as follows:

| | 2005 | 2004 |
|---|---|---|
| Share Purchase Option Plans issued during the year | 749 | 638 |
| Share Purchase Option Plans issued in prior years | 319 | 129 |
| Shares purchased by employees | 173 | 146 |
| | **1,242** | **913** |

The following assumptions were used in the valuations as of 31 December 2005 and 2004:

| | 2005 | 2004 |
|---|---|---|
| Number of options | 864,600 | 798,000 |
| Price per share | 4.50 | 4.30 |
| Exercise price | 3.30 | 3.20 |
| Volatility | 12.3% | 12.3% |
| Model | Black- | Scholes-Merton |
| Dividend yield | 3.75% | 3.75% |

## 42. Notes to the consolidated statement of cash flows

### Cash and cash equivalents

Cash and cash equivalents at 31 December 2005 and 2004 is made up as follows:

| | 2005 | 2004 |
|---|---|---|
| Cash | 558 | 647 |
| Bank deposits | 278,379 | 110,291 |
| Marketable securities | 137,187 | 128,517 |
| | 416,124 | 239,454 |
| Bank overdrafts | (7,928) | (34,320) |
| | **408,196** | **205,134** |

The caption cash and cash equivalents includes cash, deposits repayable on demand, treasury applications and term deposits maturing in less that three months with insignificant risk of change in value. Bank overdrafts includes amounts drawn from current accounts with financial institutions.

**Payments of investments**

Payments relating to investments in the year ended 31 December 2005 correspond to capital increases of 48 million euros in the associate C+PA and approximately 2.8 million euros in Cimentos de Moçambique.

**Receipts/payments of loans**

The more significant flows relating to loans in the year ended 31 December 2005 correspond essentially to early repayment of the 2003-2008 Syndicated Loan of 300 million euros and repayment of the 2002-2005 Credit Agreement of 87.5 million euros.

These loans were refinanced by Banco Santander Totta (London Branch) in the amount of 392.5 million euros.

**Unused credit lines**

Unused credit lines at 31 December 2005 and 2004 amounted to 680 million euros and 656 million euros, respectively.

## 43. Related parties

Transactions and balances between Cimpor - Cimentos de Portugal, SGPS, S.A. and Group companies were eliminated in the consolidation process and so are not disclosed in this note.

Balances and transactions between the Group and associated, related, jointly controlled companies and individuals with significant voting power with their own are detailed below.

The terms and conditions of the transactions between the Group companies and related parties are substantially similar to those contracted, accepted and practiced in similar operations with independent entities, the more significant transactions being as follows:

**Balances and transactions with entities with qualified equity participations**

**2005**

| Receivables | | Payables | | Transactions | | | |
|---|---|---|---|---|---|---|---|
| Clients current accounts | Other debtors | Suppliers current accouts | Suppliers of fixed assets | Supply of fixed assets | External supplies and services | Purchases | Sales and services rendered |
| 7.427 | 647 | 1.863 | 26.990 | 3.174 | 3.033 | 10.482 | 40.505 |

**2004**

| Receivables | | Payables | | Transactions | | | |
|---|---|---|---|---|---|---|---|
| Clients current accounts | Other debtors | Suppliers current accouts | Suppliers of fixed assets | Supply of fixed assets | External supplies and services | Purchases | Sales and services rendered |
| 5.640 | 467 | 2.286 | 23.026 | 42.727 | 2.293 | 4.313 | 36.738 |

**Remuneration of the members of the Company's corporate boards**

Remuneration of the members of the Company's corporate boards in the years ended 31 December 2005 and 2004 was as follows:

| | 2005 Remuneration | | | 2004 Remuneration | | |
|---|---|---|---|---|---|---|
| | Fixed | Variable | Total | Fixed | Variable | Total |
| Executive Directors | 1,139 | 1,854 | 2,993 | 1,139 | 1,610 | 2,749 |
| Non-executive Directors | 527 | - | 527 | 531 | - | 531 |
| | **1,666** | **1,854** | **3,520** | **1,670** | **1,610** | **3,280** |

| PLAN | 2005 | | | 2004 | | |
|---|---|---|---|---|---|---|
| | Nº of shares exercised | Unit price | Date | Nº of shares exercised | Unit price | Date |
| **Executive Directors** | | | | | | |
| Share Purchase Options - Derived Options - 2003 series | 66,500 | 2.84 | 23 March | 66,500 | 2.84 | 25 March |
| Share Purchase Options - Derived Options - 2004 series | 128,000 | 3.20 | 23 March | - | - | - |
| Share Purchase Options granted | 146,000 | 3.30 | 19 May | 128,000 | 3.20 | 28 May |
| Shares purchased by employees | 10,960 | 3.21 | 11 May | 10,740 | 3.28 | 17 May |
| | **351,460** | | | **205,240** | | |
| **Non-executive Directors** | | | | | | |
| Shares purchased by employees | 6,280 | 3.21 | 11 May | 7,210 | 3.28 | 17 May |
| | **357,740** | | | **212,450** | | |

On variable remunerations are included the income related to the share based plan.

## 44. Contingent liabilities, guarantees and commitments

**Contingent liabilities**

In the normal course of its business the Group has become involved in several legal processes and complaints relating to its products and services as well as of an environmental nature and labour processes. Considering the nature the legal processes and complaints their outcome is not expected to have a significant impact on the Group's operations, financial position or results of operations.

The Group operates in markets in which political, economic, social and legal developments can affect its operations. The effect of the risks resulting from the Group's normal operations cannot be determined and, consequently, are not reflected in the consolidated financial statements as of 31 December 2005.

**Guarantees**

At 31 December 2005 the Group companies had guarantees totalling 116,135 thousand euros given to third parties. Of these, 59,909 thousand euros correspond to guarantees given to the tax authorities to cover additional tax assessments for the years 1996 to 2001, the liability being provided for under the caption Provisions for legal and tax risks (Note 39).

At 31 December 2005 and 2004 the companies included in the consolidation had the following bank guarantees given to third parties:

| | 2005 | 2004 |
|---|---|---|
| Guarantees given: | | |
| For tax processes in progress | 59,909 | 61,953 |
| For legal processes | 33,321 | 28,021 |
| To suppliers | 22,905 | 49,533 |
| Others | **116,135** | **139,507** |

**Other commitments**

In the normal course of its business the Group assumes commitments relating essentially to the acquisition of equipment, under its investment operations in progress and for the purchase and sale of investments, associated companies and subsidiaries.

Current South African legislation requires entities having natural resource exploitation rights to be participated in by local organisations - Black Economic Empowerment. Consequently, the Group is currently in the process of looking for local partners so as to open the capital of its subsidiaries in that market, that exploit local natural resources, while maintaining control of the subsidiaries.

On 1 April 2005 NPC agreed to sell 26% of the capital of S. C. Stone (Note 4) to the National Africans Women Alliance (NAWA). In compliance with IAS 17, this transaction was not recognised at 31 December 2005 because the significant risks and benefits relating to that investment had not been transferred to the buyer. In accordance with the terms agreed there are no losses to be recognised as a result of the transaction.

At 31 December 2005 the Group had commitments relating to contracts to purchase tangible fixed assets and inventories totalling 30,079 thousand euros (44,708 thousand euros at 31 December 2004), the more significant amounts being 15,020 thousand euros relating to the Egypt business area, 9,283 thousand euros relating to the Portugal business area and 3,524 thousand euros relating to the Morocco business area.

In accordance with the Commercial Company Code (Código das Sociedades Comerciais), the parent company Cimpor - Cimentos de Portugal, SGPS, S.A. is jointly responsible for the obligations of its subsidiaries.

## 45. Subsequent events

The more significant events that occurred after 31 December 2005 are described in the Directors' Consolidated Report, being to salient the sign off of a protocol with the State of Angola had been signed that has the objective of resolving the litigation between the parties and Nova Cimangola, S.A.. In the protocol Cimpor manifested it willingness to sell the full amount of its indirectly held participation in Nova Cimangola, S.A. to the State of Angola or to Angolan investors indicated by it. A period of one hundred and eighty days was established to negotiate with the State of Angola or entities designated or named by it, the terms and conditions of the sale of the participation.

## 46. Financial statements approval

The financial statements for the year ended 31 December 2005 were approved by the Board of Directors on 17 April 2006. However, they are still subject to approval by the Shareholders' General Meeting in accordance with commercial legislation in force in Portugal, set to 4 May 2006.

## 47. Effect of adopting International Financial Reporting Standards

**Rules adopted on to IFRS**

As established in IFRS 1, Cimpor prepared an opening balance sheet as of 1 January 2004, the date of transition to IFRS.

IFRS 1 establishes, as a general principle, that Cimpor's accounting policies in accordance with the IFRS in force on 1 January 2005 be applied retrospectively and that the adjustments as of the transition date be recorded in retained earnings.

The more significant exceptions adopted by Cimpor to that principle, as set forth in IFRS 1, are as follows:

- Business combinations and Goodwill

  Cimpor applied IFRS 3 with effect as of 1 January 1999. Consequently, amortisation of goodwill after that date was reversed and the applicable amounts were subjected to annual impairment tests as from that date.

  Additionally, negative goodwill as of the transition date was recognised in Retained earnings.

- Effect of changes in foreign exchange rates

  Currency translation differences were considered null on the transition date and, therefore, any differences prior to the transition will be excluded in determining gain or loss resulting from any subsequent sale of the operating units in question. On the other hand, Goodwill generated in business combinations after adoption of IFRS 3 started being stated in the currency of the acquired entities and, consequently, subject to exchange rate fluctuations.

- Tangible fixed assets

  Although Cimpor adopted cost as the basis for valuation of its tangible fixed assets, it revalued, as of on the transition date, some of its fixed assets relating to the cement business, and so that new amount is now considered as deemed cost.

**Main differences between IFRS and PGAAP**

- Intangible assets

  Portuguese accounting standards allow companies to capitalise some expenses that, in accordance with International Financial Reporting Standards, must be immediately recognised as costs for the year. This applies to costs incurred with capital increases, quality certification projects and environmental impact studies which, in accordance with IAS 38, cannot be recognised as assets. Such costs that do not meet the criteria of IAS 38 for recognition, net of accumulated amortisation, were reversed by corresponding entry to Retained earnings.

### Depreciation policy for tangible fixed assets

Some of the assets previously depreciated at decreasing rates will be depreciated on a straight-line basis. In addition, instead of recognising depreciation for the year in the year the assets are acquired or start operating, depreciation will start at the beginning of the month in which the assets are ready for use.

### Cost of rehabilitating quarries

In compliance with Portuguese accounting standards, Cimpor had the policy of recording provisions for rehabilitating land under exploitation, progressively over the period of exploitation.

In accordance with IFRIC 1, total rehabilitation costs must be added to the amount of the asset by corresponding credit to a provision (periodically updated), and recognised as a cost through depreciation of the asset.

### Minority interest

In accordance with IAS 1 - Presentation of Financial Statements, Minority interest is presented as part of Shareholder's equity.

### Employee bonuses and share purchase options plans

Profits distributed as employee bonuses, following approval by the Shareholders' General Meeting, were recorded as negative changes in Shareholder's equity in the year they were paid. In accordance with IAS 19 such bonuses must now be recognised as a cost for the year in which the respective services are rendered.

In accordance with accounting practice in Portugal, the result of operations under share purchase option plans of the Company's shares (since Cimpor has a large enough portfolio of treasury shares to meet these plans) is recorded in a Reserve account. In compliance with the provisions of IFRS 2, liabilities arising from options granted prior to the transition date but not yet exercised at that date, were restated to fair value by corresponding entry to Retained earnings. Options granted subsequently are recorded at fair value, as costs for the year.

### Employee benefits

In accordance with generally accepted accounting principles in Portugal actuarial gains and losses resulting from the valuation of pension liabilities under defined benefit pension plans are recorded immediately in profit and loss for the period. In compliance with IAS 19, the Group opted to recognise actuarial gains and losses directly in reserves, in the statement of recognised income and expense.

### Extraordinary costs and income

International Financial Reporting Standards do not contemplate extraordinary items.

The effect on the balance sheet as of 1 January 2004 of restating the financial statements from Portuguese General Accepted Accounting Principles ("PGAAP") to IFRS in force as of 1 January 2005, is as follows:

| | | 01 January 2004 | | |
|---|---|---|---|---|
| | Notes | PGAAP | Adjustments | IFRS |
| **Non-current assets:** | | | | |
| Goodwill | 16 | 813,621 | (19,639) | 793,983 |
| Intangible assets | 17 | 7,046 | (3,709) | 3,337 |
| Fixed assets | 18 | 1,193,557 | 212,463 | 1,406,020 |
| Investments in associates | 19 | 148,451 | (15,033) | 133,418 |
| Other investments | | 15,481 | (3,105) | 12,376 |
| Available-for-sale financial assets | | 59,226 | - | 59,226 |
| Deferred taxes | 21 | 105,132 | 5,431 | 110,563 |
| Accounts receivable-other | | 31,419 | (785) | 30,634 |
| Taxes recoverable | | 2,237 | - | 2,237 |
| Other non-current assets | | 5,476 | (5,476) | - |
| Total non-current assets | | **2,381,645** | **170,149** | **2,551,794** |
| **Current assets:** | | | | |
| Inventories | | 135,327 | (451) | 134,876 |
| Accounts receivable-trade | | 218,229 | - | 218,229 |
| Accounts receivable-other | | 38,024 | (1,168) | 36,856 |
| Taxes recoverable | | 21,313 | - | 21,313 |
| Cash and cash equivalents | | 292,735 | - | 292,735 |
| Other current assets | | 1,899 | (674) | 1,225 |
| Total current assets | | **707,527** | **(2,293)** | **705,233** |
| Total assets | | **3,089,172** | **167,855** | **3,257,027** |
| **Shareholders' equity:** | | | | |
| Share capital | | 672,000 | - | 672,000 |
| Treasury shares | | (17,403) | - | (17,403) |
| Exchange translation adjustments | 30 | (419,734) | 419,734 | - |
| Reserves | 31 | 241,081 | (3,558) | 237,523 |
| Retained earnings | 32 | 484,642 | (364,443) | 120,198 |
| Equity before minority interest | | 960,586 | 51,733 | 1,012,319 |
| Minority interest | | 78,329 | (16,542) | 61,787 |
| Total shareholders' equity | | **1,038,915** | **35,191** | **1,074,106** |
| **Non-current liabilities:** | | | | |
| Loans | | 1,197,811 | (31,592) | 1,166,219 |
| Obligations under finance leases | | 953 | - | 953 |
| Deferred taxes | 21 | 82,430 | 30,845 | 113,275 |
| Employee benefits | | 12,225 | 4,898 | 17,124 |
| Provisions | | 106,115 | 26,972 | 133,087 |
| Accounts payable-others | | 14,687 | - | 14,687 |
| Taxes payable | | 169 | - | 169 |
| Other non-current liabilities | | 34,616 | 101,360 | 135,975 |
| Total non-current liabilities | | **1,449,006** | **132,483** | **1,581,489** |
| **Current liabilities:** | | | | |
| Accounts payable-trade | | 131,309 | - | 131,309 |
| Taxes payable | | 32,783 | - | 32,783 |
| Obligations under finance leases | | 955 | - | 955 |
| Loans | | 333,601 | - | 333,601 |
| Employee benefits | | 4,171 | - | 4,171 |
| Provisions | | 5,438 | (1,669) | 3,769 |
| Accounts payable-others | | 72,265 | - | 72,265 |
| Other current liabilities | | 20,728 | 1,850 | 22,578 |
| Total current liabilities | | **601,251** | **181** | **601,432** |
| Total liabilities | | **2,050,257** | **132,664** | **2,182,921** |
| Total liabilities and shareholders' equity | | **3,089,172** | **167,855** | **3,257,027** |

The adjustments affecting shareholders' equity as of 1 January 2004, made to restate the financial statements to IFRS are as follows:

### 01 January 2004

| **Equity - PGAAP** | **960,586** |
|---|---|
| Transition adjustments: | |
| Business combinations and goodwill | 222,564 |
| Effect of changes in foreign exchange rates | (258,394) |
| Tangible assets | 199,685 |
| Intangible assets | (3,528) |
| Bonuses and share purchase option plans | (1,850) |
| Impact of adopting IAS 39 | (76,873) |
| Others | (4,459) |
| Deferred taxes - Impact of transition adjustments | (25,414) |
| Minority interest | 61,787 |
| | **113,520** |
| **Shareholders' equity - IFRS** | **1,074,106** |

Reconciliation between shareholders' equity as of 31 December 2004 and net profit for the year then ended in accordance with POC and in accordance with IFRS, is as follows:

### 31 December 2004

| **Equity - PGAAP** | **970.352** |
|---|---|
| Transition adjustments: | 113,520 |
| Adjustments for the period through profit and loss: | |
| Business combinations and goodwill | 66,531 |
| Tangible assets | 13,061 |
| Intangible assets | (2,445) |
| Policies for depreciation of tangible assets | 3,165 |
| Bonuses and share purchase option plans | (3,120) |
| Others | 3,588 |
| Deferred taxes - Impact of profit and loss adjustments | (7,399) |
| Minority interest | (3,140) |
| | 70,240 |
| Adjustments for the period through reserves and retained earnings: | |
| Business combinations and goodwill | 5,374 |
| Effect on exchange translation reserve | 12,446 |
| Impact of adopting IAS 39 (a) | 49,838 |
| Others | (738) |
| Minority interest | 1,884 |
| | **68,804** |
| **Total adjustments for the period** | **139,045** |
| **Shareholders' equity - IFRS** | **1,222,918** |

(a) In 2004, Cimpor Group has adopted the provisions of IAS 39, with effects from 1 January 2004. The impact presented, however not considered on PGAAP balance sheet as of 31 December 2003, corresponds to the transition balance sheet as of 1 January 2004, and has been included on the financial statements prepared in accordance with those principles, of the year ended 31 December 2004.

As a result of the above adjustments the consolidated statement of profit and loss for the year ended 31 December 2004, restated to IFRS, is a follows:

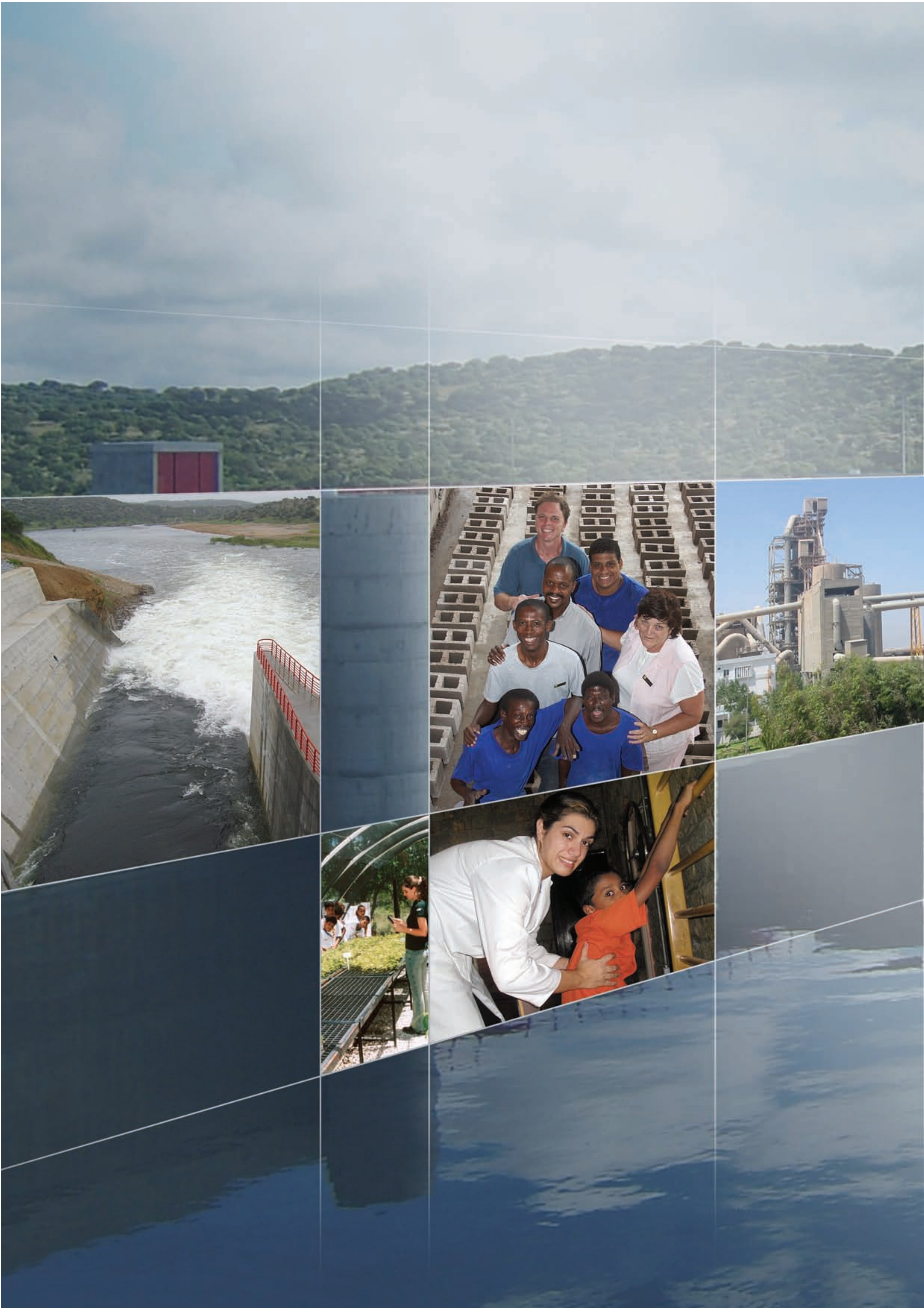
| | PGAAPs | Adjustments | IFRS |
|---|---|---|---|
| **Operating income:** | | | |
| Sales and services rendered | 1,365,612 | - | 1,365,612 |
| Supplementary income | 11,611 | - | 11,611 |
| Other operating income | 1,687 | 10,259 | 11,946 |
| Total operating income | **1,378,909** | **10,259** | **1,389,169** |
| **Operating expenses:** | | | |
| Cost of goods sold and material used in production | (319,197) | (181) | (319,378) |
| Variation in production | (2,785) | (866) | (3,651) |
| Outside supplies and services | (435,104) | (2,923) | (438,028) |
| Payroll | (155,176) | (4,432) | (159,608) |
| Depreciation and amortisation | (198,414) | 83,058 | (115,356) |
| Provisions and impairment losses | (12,079) | (1,080) | (13,159) |
| Other operating expenses | (7,978) | (8,584) | (16,562) |
| Total operating expenses | **(1,130,733)** | **64,991** | **(1,065,742)** |
| Net operating income | 248,176 | 75,250 | 323,427 |
| Financial expenses | (137,303) | (1,294) | (138,597) |
| Financial income | 91,418 | 360 | 91,778 |
| Share of results of associates | 38,351 | 688 | 39,039 |
| Other investment income | 1,049 | - | 1,049 |
| Profit before income tax | **(6,486)** | **(245)** | **(6,731)** |
| Extraordinary results | (5,775) | 5,775 | - |
| Income tax | (45,481) | (7,399) | (52,881) |
| **Net profit for the year** | **190,434** | **73,381** | **263,815** |
| Attributable to: | | | |
| Equity holders of the parent | 185,909 | 70,240 | 256,150 |
| Minority interest | 4,525 | 3,140 | 7,665 |

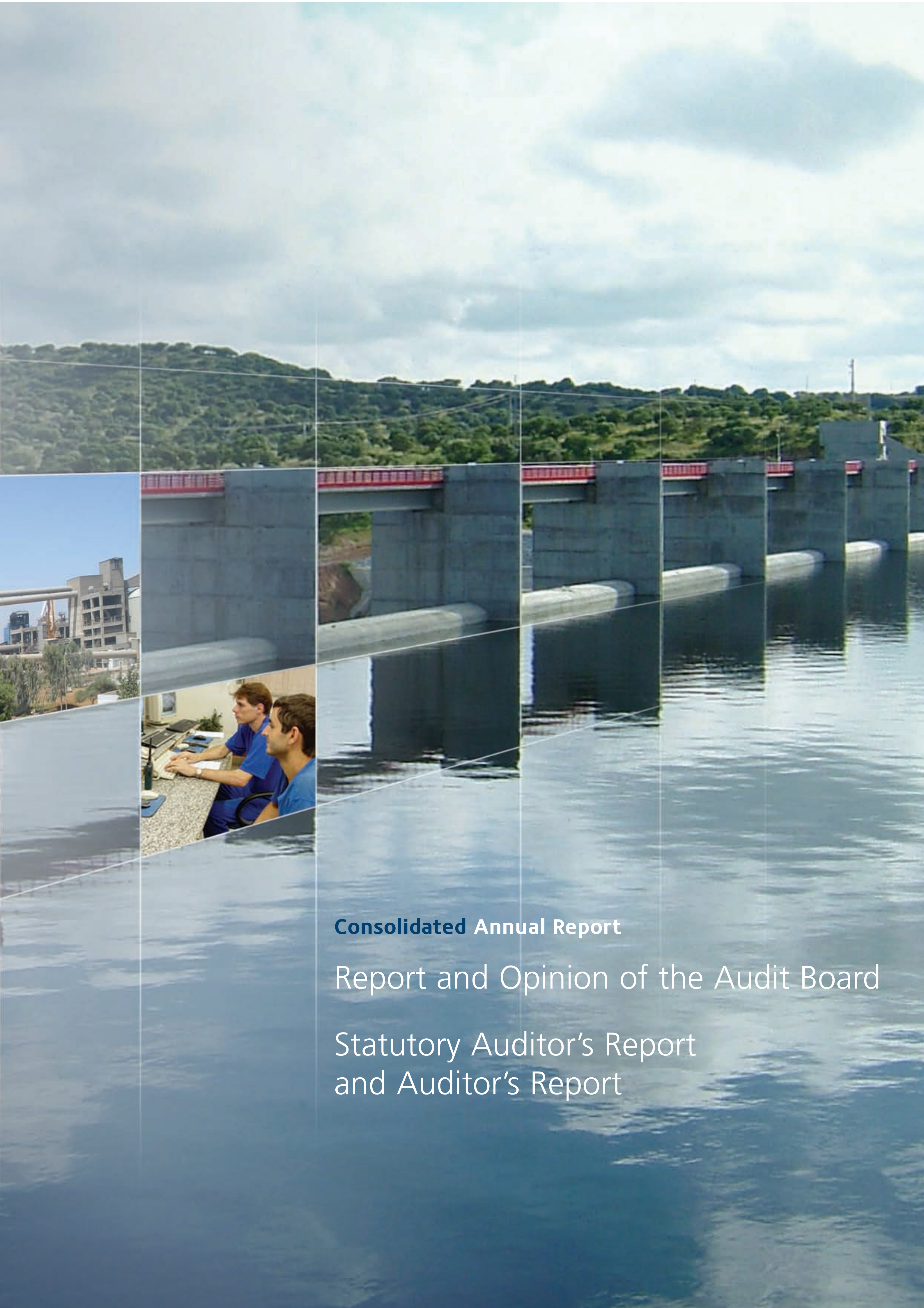
As a result of the above adjustments, the consolidated balance sheet as of 31 December 2004, restated to IFRS, is as follows:

| | PGAAP | Adjustments | IFRS |
|---|---|---|---|
| Non-current assets: | | | |
| Goodwill | 781,420 | 39,621 | 821,042 |
| Intangible assets | 18,300 | (4,078) | 14,222 |
| Fixed assets | 1,217,543 | 239,212 | 1,456,755 |
| Investments in associates | 268,395 | (1,991) | 266,405 |
| Other investments | 16,158 | (8,580) | 7,578 |
| Available-for-sale financial assets | 52,334 | - | 52,334 |
| Deferred taxes | 121,772 | (18,848) | 102,924 |
| Accounts receivable-other | 2,320 | (785) | 1,535 |
| Taxes recoverable | 2,677 | - | 2,677 |
| Other non-current assets | 4,499 | (4,499) | - |
| Total non-current assets | 2,485,420 | 240,053 | 2,725,472 |
| Current assets: | | | |
| Inventories | 153,111 | (1,317) | 151,793 |
| Accounts receivable-trade | 232,533 | - | 232,533 |
| Accounts receivable-other | 21,547 | (1,184) | 20,363 |
| Taxes recoverable | 32,669 | - | 32,669 |
| Cash and cash equivalents | 239,455 | - | 239,455 |
| Other current assets | 9,748 | (565) | 9,182 |
| Total current assets | 689,061 | (3,067) | 685,995 |
| Total assets | 3,174,481 | 236,986 | 3,411,467 |
| Shareholders' equity: | | | |
| Share capital | 672,000 | - | 672,000 |
| Treasury shares | (15,535) | - | (15,535) |
| Exchange translation adjustments | (423,531) | 432,180 | 8,648 |
| Reserves | 240,785 | (574) | 240,210 |
| Retained earnings | 310,724 | (312,952) | (2,228) |
| Net income for the year | 185,909 | 70,240 | 256,150 |
| Equity before minority interest | 970,352 | 188,894 | 1,159,245 |
| Minority interest | 76,315 | (12,644) | 63,672 |
| Total shareholders' equity | 1,046,668 | 176,250 | 1,222,918 |
| Non-current liabilities: | | | |
| Loans | 1,312,772 | (4,499) | 1,308,273 |
| Obligations under finance leases | 2,299 | - | 2,299 |
| Deferred taxes | 69,584 | 42,051 | 111,635 |
| Employee benefits | 18,337 | 3,886 | 22,223 |
| Provisions | 115,385 | 25,865 | 141,250 |
| Accounts payable-others | 13,550 | - | 13,550 |
| Taxes payable | 3,912 | - | 3,912 |
| Other non-current liabilities | 155,682 | (661) | 155,021 |
| Total non-current liabilities | 1,691,521 | 66,642 | 1,758,163 |
| Current liabilities: | | | |
| Accounts payable-trade | 146,176 | - | 146,176 |
| Taxes payable | 29,723 | - | 29,723 |
| Obligations under finance leases | 1,574 | - | 1,574 |
| Loans | 156,287 | - | 156,287 |
| Employee benefits | 674 | - | 674 |
| Provisions | 10,603 | (8,407) | 2,196 |
| Accounts payable-others | 45,803 | - | 45,803 |
| Other current liabilities | 45,453 | 2,500 | 47,953 |
| Total current liabilities | 436,293 | (5,907) | 430,386 |
| Total liabilities | 2,127,814 | 60,735 | 2,188,549 |
| Total liabilities and shareholders' equity | 3,174,481 | 236,986 | 3,411,467 |

## 48. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies the Portuguese language version prevails.





**Consolidated Annual Report**

# Report and Opinion of the Audit Board

# Statutory Auditor's Report and Auditor's Report

# Report and Opinion of the Audit Board

On the Consolidated Financial Statements for 2005

(Translated of a report originally issued in Portuguese)

To the Shareholders,

In compliance with current legislation, the articles of association of CIMPOR – Cimentos de Portugal, SGPS, S.A. ("the Company") and our mandate, the Audit Board submits its report on the procedures performed and its opinion on the consolidated documents of account for the year 2005, that has been presented for review to the Board of Directors.

## 1. Procedures performed by the Audit Board

The Audit Board accompanied the operations and business of the Company and its main subsidiaries, this consisting mainly of a review of documents and accounting records, review of the minutes of meetings of the Board of Directors and its Executive Committee and review and analysis of other documentation in order to assess compliance with current legislation and the articles of association.

The Audit Board also performed tests and other procedures to the extent that it considered necessary in the circumstances.

In the course of its work the Audit Board maintained regular contact with the Executive Committee of the Board of Directors, as well as with Company personnel, having obtained the information and explanations considered necessary.

As required by the articles of association, the Audit Board held monthly meetings and met on other occasions whenever the circumstances justified this, independently of the work performed by each of its members in their review of the documentation provided and accompaniment of the financial position, especially as regards evolution of the operations by geographic market and business sector.

We accompanied the transition process of the consolidated financial statements to International Financial Reporting Standards, having verified the respective consolidation perimeter.

We reviewed the reports and opinions issued by the audit boards of the companies in Portugal included in the consolidation and their compliance with the applicable legal requirements and articles of association. We reviewed the reports of the auditors of the foreign companies as regards the audit work performed and conclusions.

## 2. Consolidated Directors' Report

The Directors' Report, for which the Board of Directors is responsible, covers the more significant occurrences in 2005 and main subsequent events of significance to obtain an understanding of the current situation of the Company and its subsidiaries ("the Cimpor Group"), in compliance with the requirements of the Commercial Company Code (*Código das Sociedades Comerciais*).

The Group's operations, which focus on the production and sale of cement in nine countries, despite the unfavourable evolution of some markets and the increased energy costs, resulted in a net profit for the year ended 31 December 2005 exceeding that for the preceding year.

The annual information for the year 2005 was prepared and presented for the first time in accordance with the International Financial Reporting Standards as adopted by the European Union.

In order to ensure comparability with the preceding year, the information for 2004 included in the Directors' Report and financial statements as of 31 December 2005 was restated to International Financial Reporting Standards

The positive evolution referred to above was even greater as regards operating results. The geographic segments that contributed most to the improved operating results were Egypt and Spain. By contrast, Brazil and Tunisia contributed most to a decrease in operating results due to a drop in sales prices and fall in internal demand.

Indebtedness decreased by 230 million Euros in relation to the preceding year, despite the significant increase in capital expenditure.

Stock Exchange capitalisation increased 12% in relation to the end of the preceding year.

As regards the prospects for 2006, the Board of Directors expects the market to grow in overall terms in relation to 2005, albeit with differences in the various geographic markets, driven essentially by the emerging markets.

We wish to point out the continued effort made to improve the Company's organisation and its recent rationalisation, as well as its commitment to a policy of sustainable development.

## 3. Consolidated Financial Statements

In performing its work the Audit Board reviewed the consolidated financial statements, which comprise the consolidated balance sheet as of 31 December 2005, consolidated statement of profit and loss, consolidated statement of recognised income and expense, consolidated statement of cash flows and corresponding notes prepared by the Board of Directors. In our review we noted that the accounting principles used to prepare and present the consolidated financial statements were in compliance with the International Financial Reporting Standards as adopted by the European Union, as well as adherence to the law and current articles of association.

## 4. Conclusions

The Audit Board reviewed the report issued by the Statutory Auditor in accordance with articles 451 and 452 of the Commercial Company Code, as well as the Legal Certification of Accounts and Audit Report relating to the Consolidated Financial Statements, also issued by the Statutory Auditor, with which it is in agreement.

In performing our work we did not detect any matters that violate legislation or the articles of association, nor that significantly affect the true and fair view of the financial position, results of operations and cash flows of the companies included in the consolidation.

The Audit Board wishes to thank the Board of Directors, especially the Executive Committee, and personnel of the Company that it had the opportunity of contacting, for their cooperation.

Considering the above, in the opinion of the Audit Board:

The Consolidated Directors' Report, Consolidated Balance Sheet, Consolidated Statement of Profit and Loss, Consolidated Statement of Recognised Income and Expense, Consolidated Statement of Cash Flows and corresponding Notes for 2005 are in accordance with the applicable accounting, legal and articles of association requirements and so can be approved by the Shareholders' General Meeting.

Lisbon, 18 April 2006

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

On the Consolidated Financial Statements for 2005

(Translated of a report originally issued in Portuguese)

## 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 2005, which comprise the consolidated balance sheet as of 31 December 2005, which reflects a total of 3,805,384 thousand Euros and shareholders' equity of 1,584,585 thousand Euros, including a net profit of 266,159 thousand Euros, the consolidated statements of profit and loss and recognised income and expense, 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 International Financial Reporting Standards endorsed by the European Union ("IAS/IFRS") 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 2005 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards endorsed by the European Union 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.

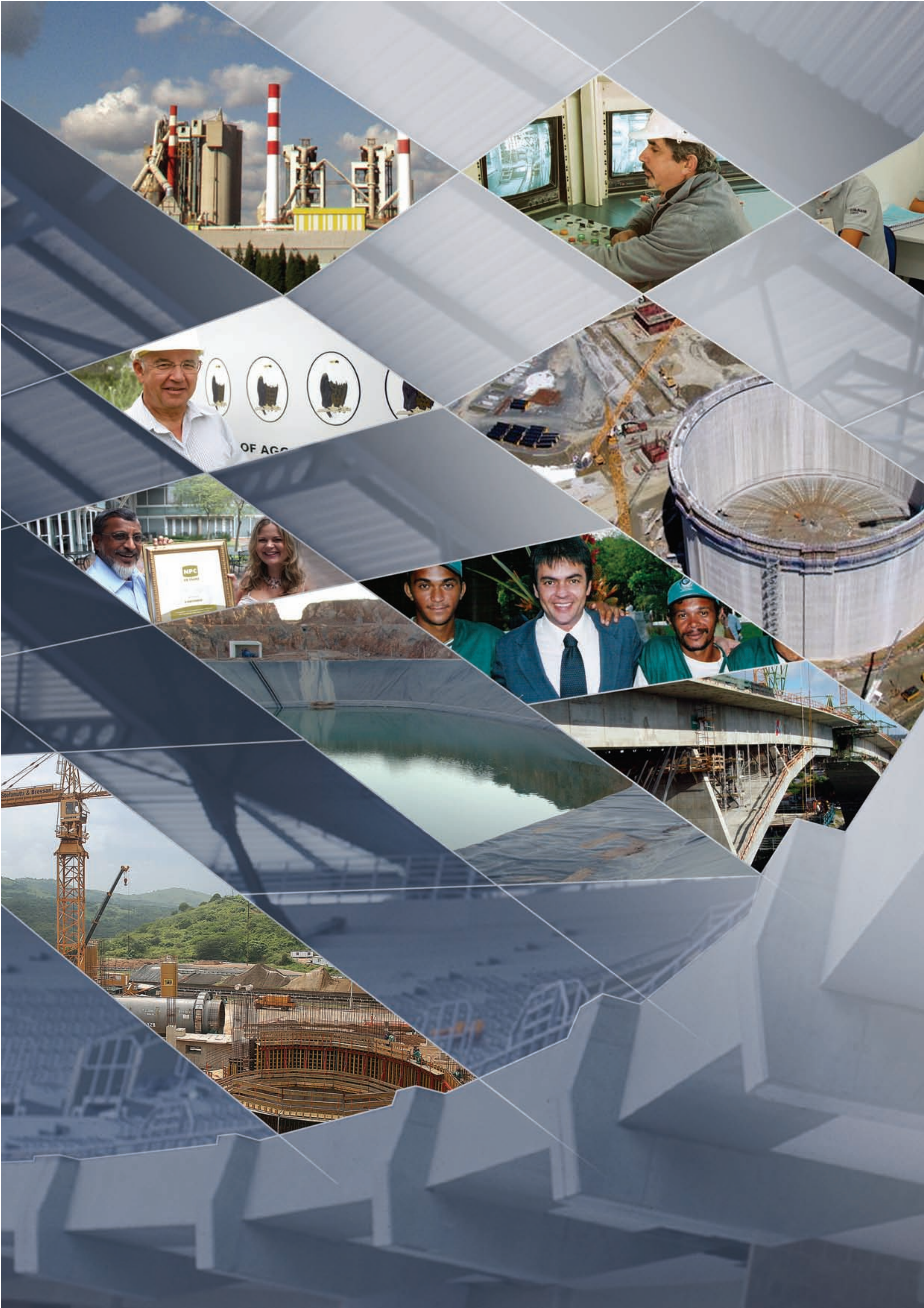
## Emphasis

6. As mentioned in note 2 to the consolidated financial statements, the Company adopted for the first time in 2005, the IAS/IFRS in the preparation of its consolidated financial statements. In the transition process from the Portuguese generally accepted accounting principles ("POC"), previously adopted, to IAS/IFRS, the Company follow the provisions of IFRS 1 – First Time Adoption of International Financial Reporting Standards, considering 1 January 2004 as the transition date. As a result, financial information as at that date and for the year ended 31 December 2004, previously presented in accordance with POC, has been restated in accordance with IAS/IFRS for comparative purposes. Additional information on the transition process to IAS/IFRS is included in note 47 to the consolidated financial statements.

Lisbon, 18 April 2006

DELOITTE & ASSOCIADOS, SROC S.A.

Represented by Carlos Pereira Freire


Stefanutti & Bressan
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Consolidated Annual Report

# Additional Information

## 4.1 Main Operating Companies - Synopsis

### Portugal

### Cimpor - Indústria de Cimentos, S.A.

**Registered Office**

Rua Alexandre Herculano, 35
1250-009 LISBON
Telef: 21 311 81 00
Fax: 21 356 13 81
NIPC: 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 related activities, namely the production, distribution and sale of hydraulic lime, paper bags, cement products and other construction material, as well as research and the rendering of services.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 319,837 | -26,798 |
| Financial Debt (net) | 56,870 | 60,991 |
| Shareholder Equity | 318,380 | 110,689 |
| Turnover | 373,891 | 367,192 |
| Operating Cash Flow | 124,650 | 140,979 |
| Operating Income | 92,010 | 111,053 |
| Financial Income | -6,847 | -5,299 |
| Net Income | 59,807 | 70,481 |

### Cimentaçor - Cimentos dos Açores, Lda.

**Registered Office**

Canada das Murtas
Pico da Pedra
RIBEIRA GRANDE
Telef: 296 201 730
Fax: 296 201 748
NIPC: 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 grinding, storing, packing and distribution of cement in the Autonomous Region of Azores.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 5,333 | 5,290 |
| Financial Debt (net) | -2,570 | -3,419 |
| Shareholder Equity | 8,303 | 8,725 |
| Turnover | 29,110 | 27,691 |
| Operating Cash Flow | 4,144 | 4,835 |
| Operating Income | 3,362 | 4,568 |
| Financial Income | -12 | -2 |
| Net Income | 2,752 | 3,160 |

## Portugal

### Cimpor Betão - Indústria de Betão Pronto, S.A.

**Registered Office**

Rua Quinta do Paizinho, Ed. BEPOR, Bloco 2, 1ºEsq.
Carnaxide
2790-237 CARNAXIDE
Telef: 21 424 75 00
Fax: 21 424 75 94
NIPC: 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 – *Director Geral*
E-mail – Jlino@cimpor.pt

**Field of Activity**

Production and sale of ready-mix concrete.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 26,051 | 24,868 |
| Financial Debt (net) | -3,868 | -272 |
| Shareholder Equity | 26,438 | 25,117 |
| Turnover | 79,963 | 74,868 |
| Operating Cash Flow | 5,803 | 3,662 |
| Operating Income | 3,963 | 2,721 |
| Financial Income | 268 | 282 |
| Net Income | 3,072 | 2,069 |

### Betão Liz, S.A.

**Registered Office**

Rua Quinta do Paizinho, Ed. BEPOR, Bloco 2, 1ºEsq.
Carnaxide
2790-237 CARNAXIDE
Telef: 21 424 75 00
Fax: 21 424 75 99
NIPC: 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) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 16,835 | 21,338 |
| Financial Debt (net) | -6,326 | -5,542 |
| Shareholder Equity | 28,098 | 37,787 |
| Turnover | 76,653 | 70,657 |
| Operating Cash Flow | 5,667 | 3,187 |
| Operating Incomeis | 4,329 | 1,988 |
| Financial Income | 558 | 291 |
| Net Income | 3,587 | 1,719 |

## Portugal

### Jomatel - Empresa de Materiais de Construção, S.A.

**Registered Office**

Rua Quinta do Paizinho, Ed. BEPOR, Bloco 2, 1ºEsq.
Carnaxide
2790-237 CARNAXIDE
Telef: 21 424 75 00
Fax: 21 424 75 99
NIPC: 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) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 7,036 | 8,123 |
| Financial Debt (net) | -1,863 | -1,349 |
| Shareholder Equity | 9,111 | 8,901 |
| Turnover | 21,190 | 20,601 |
| Operating Cash Flow | 1,944 | 1,462 |
| Operating Income | 1,531 | 1,501 |
| Financial Income | 170 | 120 |
| Net Income | 1,245 | 1,095 |

### Agrepor Agregados - Extracção de Inertes, S.A.

**Registered Office**

Rua Alexandre Herculano, 35
1250-009 LISBON
Telef: 21 311 81 00
Fax: 21 356 13 81
NIPC: 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 and extraction and sale of crushed stone.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 26,678 | 15,490 |
| Financial Debt (net) | -728 | 1,188 |
| Shareholder Equity | 23,661 | 11,837 |
| Turnover | 42,361 | 26,167 |
| Operating Cash Flow | 7,852 | 5,583 |
| Operating Income | 5,064 | 3,260 |
| Financial Income | -200 | -185 |
| Net Income | 3,515 | 1,911 |

## Portugal

### Ciarga - Argamassas Secas, S.A.

**Registered Office**

Rua Alexandre Herculano, 35
1250-009 LISBON
Telef: 21 311 81 00
Fax: 21 356 13 81
NIPC: 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 for the use and application of these products.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 7,087 | 8,063 |
| Financial Debt (net) | 63 | 1,404 |
| Shareholder Equity | 7,905 | 5,981 |
| Turnover | 7,034 | 7,331 |
| Operating Cash Flow | 1,159 | 1,019 |
| Operating Income | 29 | -10 |
| Financial Income | -66 | -117 |
| Net Income | -27 | -141 |

### Sacopor - Sociedade de Embalagens e Sacos de Papel, S.A.

**Registered Office**

Rua Alexandre Herculano, 35
1250-009 LISBON
Telef: 21 311 81 00
Fax: 21 356 13 81
NIPC: 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 – *Director*
E-mail – Cazevedo@cimpor.pt

**Field of Activity**

Production and sale of bags and other paper packages.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 7,856 | 2,981 |
| Financial Debt (net) | -413 | -366 |
| Shareholder Equity | 4,898 | 4,661 |
| Turnover | 13,394 | 13,591 |
| Operating Cash Flow | 4,689 | 4,142 |
| Operating Income | 4,483 | 4,037 |
| Financial Income | -61 | 3 |
| Net Income | 3,216 | 2,951 |

## Portugal

### Transviária - Gestão de Transportes, S.A.

**Registered Office**

Rua Alexandre Herculano, 35
1250-009 LISBON
Telef: 21 940 86 00
Fax: 21 940 87 33
NIPC: 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 Rosa 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) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 2,628 | 1,150 |
| Financial Debt (net) | -143 | -201 |
| Shareholder Equity | 2,687 | 2,632 |
| Turnover | 47,645 | 42,917 |
| Operating Cash Flow | 3,120 | 3,163 |
| Operating Income | 2,742 | 2,745 |
| Financial Income | 69 | 55 |
| Net Income | 2,037 | 2,042 |

### Cement Trading Activities – Comércio Internacional, S.A.

**Registered Office**

Rua Alexandre Herculano, 35
1250-009 LISBON
Telef: 21 940 86 00
Fax: 21 940 87 33
NIPC: 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 –
– *General Director*
E-mail - MMartins@cimpor.pt
Ana Cristina Rosa Santos Ascenso – *Director Geral*
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 their own company and on behalf of others, by all means permitted.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 4,696 | 5,965 |
| Financial Debt (net) | -4,110 | -821 |
| Shareholder Equity | 11,552 | 9,826 |
| Turnover | 75,820 | 56,129 |
| Operating Cash Flow | 1,499 | 605 |
| Operating Income | 1,492 | 605 |
| Financial Income | 885 | -429 |
| Net Income | 1,305 | 123 |

## Spain

### Cementos Cosmos, S.A.

**Registered Office**

C/Brasil, 56
36 204 VIGO
Telef: 34 986 26 90 00
Fax: 34 986 47 39 51
NIPC: 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**

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, namely 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)* | 2005 | 2004 |
|---|---|---|
| Capital Employed | 94,226 | 72,255 |
| Financial Debt (net) | 1,225 | 773 |
| Shareholder Equity | 69,518 | 91,128 |
| Turnover | 108,608 | 106,532 |
| Operating Cash Flow | 45,507 | 44,542 |
| Operating Income | 37,758 | 36,164 |
| Financial Income | 987 | 856 |
| Net Income | 24,006 | 24,396 |

### Prebetong Galicia, S.A.

**Registered Office**

C/Brasil, 56
36 204 VIGO
Telef: 34 986 26 90 00
Fax: 34 986 41 34 48
NIPC: 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**

Julio César Paredes Seoane – *Managing Director*
E-mail – jparedes@es.cimpor.com

**Field of Activity**

Production and sale of ready-mix concrete.

| Key Financial Data (1,000 euros)* | 2005 | 2004 |
|---|---|---|
| Capital Employed | 16,311 | 20,109 |
| Financial Debt (net) | 422 | 334 |
| Shareholder Equity | 12,182 | 12,901 |
| Turnover | 30,626 | 32,844 |
| Operating Cash Flow | 252 | 925 |
| Operating Income | -508 | 191 |
| Financial Income | 167 | 228 |
| Net Income | -395 | 338 |

* Company Data

## Spain

### Hormigones Miño, S.L.

**Registered Office**

C/Brasil, 56
36 204 VIGO
Telef: 34 986 26 90 00
Fax: 34 986 48 21 97
NIPC: 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**

Julio César Paredes Seoane – *Managing Director*
E-mail - Jparedes@es.cimpor.com

**Field of Activity**

Industry and sale of ready-mix concrete, sand and cement derivatives in general.

| Key Financial Data (1,000 euros) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 13,568 | 14,895 |
| Financial Debt (net) | 444 | 17 |
| Shareholder Equity | 11,635 | 12,558 |
| Turnover | 38,174 | 34,340 |
| Operating Cash Flow | -708 | 612 |
| Operating Income | -1,347 | 33 |
| Financial Income | 56 | -5 |
| Net Income | -924 | -37 |

### Prebetong Lugo, S.A.

**Registered Office**

Avenida Benigno Rivera s/n
Poligono del Ceao
27 003 LUGO
Telef: 34 982 20 91 21
Fax: 34 982 20 92 72
NIPC: A-27.003.250

**Board of Directors**

• Corporación Noroeste, S.A., represented by:
Antonio Vega Guerrero – *Chairman*
• Prebetong Galicia, S.A., represented by:
Manuel Gómez Alvarez – *Managing Director*
• Cementos Cosmos, S.A., represented by:
Julio César Paredes Seoane – *Board Member*
• Rafael Serrano García – *Board Member*
• Sermaconsa, represented by:
Eduardo Guedes Duarte – *Board Member*

**Contact**

Manuel Gómez Alvarez – *Managing Director*
E-mail - Mgomez@es.cimpor.com

**Field of Activity**

Production and sale of ready-mix concrete, aggregates, mortar and its derivatives.

| Key Financial Data (1,000 euros) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 1,848 | 6,694 |
| Financial Debt (net) | -18 | 173 |
| Shareholder Equity | 2,091 | 8,037 |
| Turnover | 1,853 | 12,977 |
| Operating Cash Flow | 450 | 470 |
| Operating Income | 334 | -463 |
| Financial Income | 341 | 334 |
| Net Income | 544 | -143 |

* Company Data

# Spain

## Canteras Prebetong, S.L.

### Registered Office

C/Brasil, 56
36 204 VIGO
Telef: 34 986 26 90 00
Fax: 34 986 41 34 48
NIPC: B-36.816.163

### Board of Directors

Eduardo Guedes Duarte – *Chairman*
Manuel Gómez Alvarez – *Managing Director*
Julio César Paredes Seoane - *Board Member*

### Contact

Manuel Gómez Alvarez – *Managing Director*
E-mail - Mgomez@es.cimpor.com

### Field of Activity

Extraction and sale of limestone, granite and similar stone.

| Key Financial Data (1,000 euros) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 1,891 | 1,569 |
| Financial Debt (net) | -2 | -3 |
| Shareholder Equity | 4,741 | 5,104 |
| Turnover | 5,071 | 5,344 |
| Operating Cash Flow | 831 | 1,139 |
| Operating Income | 522 | 753 |
| Financial Income | -125 | 109 |
| Net Income | 159 | 584 |

## Morteros Noroeste, S.L.

### Registered Office

C/Brasil, 56
36 204 VIGO
Telef: 34 986 26 90 00
Fax: 34 986 47 39 51
NIPC: B-36.877.926

### Joint General Managers

• Corporación Noroeste, S.A., represented by:
Pedro Manuel de Freitas Pires Marques – *Joint General Director*
• Cementos Cosmos, S.A., represented by:
Angel Longarela Peña - *Joint General Director*

### Contact

Angel Longarela Peña - *Joint General Director*
E-mail - Alongarela@es.cimpor.com

### Field of Activity

Production and sale of mortar and its derivatives.

| Key Financial Data (1,000 euros) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 3,952 | 4,160 |
| Financial Debt (net) | 125 | 27 |
| Shareholder Equity | 5,739 | 5,466 |
| Turnover | 9,425 | 9,125 |
| Operating Cash Flow | 2,696 | 2,691 |
| Operating Income | 2,238 | 2,114 |
| Financial Income | 43 | 44 |
| Net Income | 1,482 | 1,405 |

* Company Data

## Spain

### Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A.

**Registered Office**

Agrupación Córdoba, 15
14014 Córdoba
Telef: 34 957 01 30 00
Fax: 34 957 26 26 28
NIPC: ESA14635387

**Board of Directors**

Angel Longarela Peña - *Chairman*
Eduardo Guedes Duarte - *Managing Director*
Angel Longarela Peña - *Managing 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) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 157,751 | 159,970 |
| Financial Debt (net) | -30 | -15 |
| Shareholder Equity | 21,931 | 10,240 |
| Turnover | 85,163 | 91,422 |
| Operating Cash Flow | 34,484 | 26,940 |
| Operating Income | 21,869 | 14,307 |
| Financial Income | -3,757 | -4,037 |
| Net Income | 11,690 | 6,688 |

### Cementos El Monte, S.A.

**Registered Office**

Muelle Ingeniero Juan Gonzalo, s/n
21810 Palos de la Frontera - Huelva
Telef: 34 959 36 93 20
Fax: 34 959 36 98 37
NIPC: ESA21292271

**Board of Directors**

Angel Longarela Peña - *Chairman*
José Augusto Brás Chaves - *Managing Director*
Eduardo Guedes Duarte - *Managing Director*

**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) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 18,148 | 14,767 |
| Financial Debt (net) | 16 | -18 |
| Shareholder Equity | 23,217 | 21,603 |
| Turnover | 30,739 | 33,594 |
| Operating Cash Flow | 10,486 | 7,721 |
| Operating Income | 8,636 | 5,832 |
| Financial Income | 177 | 87 |
| Net Income | 5,824 | 3,847 |

* Company Data

## Spain

### Hormigones Hércules, S.L.

**Registered Office**

Polígono Industrial El Prado, Parcela 40
06800 Merida (Badajoz)
Telef: 34 959 28 24 71 (Head Office-Huelva)
Fax: 34 959 28 25 84 (Head Office-Huelva)
NIPC: ES B-82743717

**Board of Directors**

Eduardo Guedes Duarte - *Joint General Director*
José Augusto Brás Chaves - *Joint General Director*

**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) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 22,926 | 19,933 |
| Financial Debt (net) | 330 | 312 |
| Shareholder Equity | 151 | 525 |
| Turnover | 24,752 | 23,361 |
| Operating Cash Flow | 891 | 1,079 |
| Operating Income | -138 | 6 |
| Financial Income | -455 | -418 |
| Net Income | -375 | -230 |

### Cementos de Andalucia, S.L.

**Registered Office**

Agrupación Córdoba, 15
14014 Córdoba
Telef: 34 954 41 40 29
Fax: 34 954 41 55 70
NIPC: 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**

Sale of cement.

| Key Financial Data (1,000 euros) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 11,562 | 12,175 |
| Financial Debt (net) | 8 | 294 |
| Shareholder Equity | 259 | 217 |
| Turnover | 151,192 | 87,354 |
| Operating Cash Flow | 976 | 302 |
| Operating Income | 618 | 161 |
| Financial Income | -25 | 146 |
| Net Income | 42 | 202 |

* Company Data

## Spain

### Occidental de Hormigones, S.L.

**Registered Office**

Poligono Industrial El Nevero,
C/ Miguel de Fabra Parcela 6,
6.006 Badajoz.
Telef: 34 924 27 59 07
Fax: 34 924 27 59 07
NIPC: ES- B-06208722

**Board of Directors**

Eduardo Guedes Duarte - *Joint General Director*
José Augusto Brás Chaves - *Joint General Director*

**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) (*) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 17,217 | 16,090 |
| Financial Debt (net) | 515 | 364 |
| Shareholder Equity | 167 | 47 |
| Turnover | 22,771 | 12,664 |
| Operating Cash Flow | 721 | 507 |
| Operating Income | 20 | 1 |
| Financial Income | 26 | -254 |
| Net Income | -29 | -243 |

* Company Data

## Morocco

### Asment de Témara, S.A.

**Registered Office**

Route Principale de Casablanca
AIN ATTIG
TEMARA
MOROCCO
Telef: 212 37 74 07 77
Fax: 212 37 74 15 70
NIPC: 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, representada por:
  Jean-Paul Méric

**Contact**

Álvaro João Serra Nazaré - *Director*
E-mail - SNazare@cimpor.pt
Brahim Laraqui – *General Director*
E-mail - BLaraqui@ma.cimpor.com

**Field of Activity**

Production, distribution and sale of cement and other hydraulic binders, and related activities, namely the production, distribution and sale of hydraulic lime, cement products and other construction material, as well as research and the rendering of services.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 64,971 | 50,046 |
| Financial Debt (net) | -831 | -9,703 |
| Shareholder Equity | 55,202 | 62,871 |
| Turnover | 56,011 | 49,914 |
| Operating Cash Flow | 25,738 | 23,464 |
| Operating Income | 19,128 | 22,131 |
| Financial Income | -71 | 353 |
| Net Income | 13,681 | 7,403 |

## Tunisia

### C.J.O.-Société Les Ciments de Jbel Oust

**Registered Office**

9, Rue de Touraine - Cité Jardins
Le Belvédère
Tunis 1082
TUNISIA
Telef: 21 671 84 17 32
Fax: 21 671 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 - *Administrador*
E-mail - SNazare@cimpor.pt
Abdelkader N'Ciri - *Administrador Director Geral*
E-mail - nciri@cimpor.com.tn

**Field of Activity**

Production, distribution and sale of cement and other hydraulic binders, and related activities, namely the production, distribution and sale of hydraulic lime, cement products and other construction material, as well as research and the rendering of services.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 71,167 | 108,186 |
| Financial Debt (net) | -2,319 | 1,907 |
| Shareholder Equity | 70,257 | 90,186 |
| Turnover | 53,432 | 53,599 |
| Operating Cash Flow | 14,613 | 14,853 |
| Operating Income | 7,107 | 14,775 |
| Financial Income | -237 | -593 |
| Net Income | 6,957 | 8,810 |

## Egypt

### Amreyah Cement Company, S.A.E.

**Registered Office**

El Gharbaneyat – Borg el Arab
ALEXANDRIA
EGYPT
Telef: 203 41 95 600-700
Fax: 203 41 95 628-9

**Board of Directors**

- Cimpor Egypt for Cement, S.A.E.; represented by:
  Luís Filipe Sequeira Martins *(Chairman)*
  Jorge Manuel Tavares Salavessa Moura
  Manuel Luís Barata de Faria Blanc
- Cimpor - Cimentos de Portugal, SGPS, S.A.; represented by:
  Álvaro João Serra Nazaré
- Cimpor Inversiones, S.A.; 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 kinds of cement and other construction materials, the sale and transport of these products and of any other raw materials within the Arab Republic of Egypt or abroad.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 70,252 | 113,694 |
| Financial Debt (net) | 12,978 | 25,868 |
| Shareholder Equity | 76,323 | 125,158 |
| Turnover | 57,897 | 47,758 |
| Operating Cash Flow | 21,524 | 17,213 |
| Operating Income | 11,657 | 14,920 |
| Financial Income | -5,561 | - 4,503 |
| Net Income | 4,076 | 7,121 |

## Egypt

### Amreyah Cimpor Cement Company, S.A.E.

**Registered Office**

El Gharbaneyat – Borg el Arab
ALEXANDRIA
EGYPT
Telef: 203 41 95 600-700
Fax: 203 41 95 628-9

**Board of Directors**

- Cimpor Inversiones, S.A., represented by:
  Luís Filipe Sequeira Martins *(Chairman)*
  Jorge Manuel Tavares Salavessa Moura
  Manuel Luís Barata de Faria Blanc
- Amreyah Cement Company, S.A.E., represented by:
  Álvaro João Serra Nazaré
- Cimpor Egypt For Cement, S.A.E., 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 kinds of cement, clinker and other construction materials, and the sale and transport of these products and of any other raw materials within the Arab Republic of Egypt or abroad.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 100,561 | 88,922 |
| Financial Debt (net) | 10,122 | 17,731 |
| Shareholder Equity | 60,647 | 28,249 |
| Turnover | 47,049 | 24,447 |
| Operating Cash Flow | 27,046 | 15,049 |
| Operating Income | 22,336 | 11,010 |
| Financial Income | 2,765 | -1,978 |
| Net Income | 24,407 | 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
Telef: 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 - *Board Member*
Manuel Luís Barata de Faria Blanc - *Board Member*

**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 fibro-cement 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, conducting 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 partner or shareholder.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 184,058 | 156,582 |
| Financial Debt (net) | -41,835 | - 55,097 |
| Shareholder Equity | 205,553 | 179,221 |
| Turnover | 160,303 | 141,381 |
| Operating Cash Flow | 35,998 | 50,801 |
| Operating Income | 16,749 | 58,742 |
| Financial Income | -2,496 | - 2,831 |
| Net Income | 9,950 | 24,043 |

## Brazil

### 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
Telef: 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 - *Director*
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 that purpose; 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) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 51,594 | 42,611 |
| Financial Debt (net) | -46,955 | - 26,272 |
| Shareholder Equity | 128,307 | 117,230 |
| Turnover | 42,185 | 36,752 |
| Operating Cash Flow | 18,066 | 16,861 |
| Operating Income | 14,792 | 21,993 |
| Financial Income | 8,607 | 10,385 |
| Net Income | 20,206 | 23,206 |

### Companhia de Cimento ATOL

**Registered Office**

Fazenda São Sebastião, s/n
Município de São Miguel dos Campos
Estado de Alagoas
CEP 57240-000 BRAZIL
Telef: 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, processing and production of limestone, clay, kaolin and related products; production and sale of cement of any kind; the incineration of industrial waste; may import and export whatever is necessary or useful to conduct or expand its activities; participation in other companies, whatever the location, in Brazil or abroad.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 30,323 | 32,932 |
| Financial Debt (net) | -20,409 | - 8,077 |
| Shareholder Equity | 136,021 | 57,477 |
| Turnover | 24,544 | 20,988 |
| Operating Cash Flow | 8,867 | 10,395 |
| Operating Income | 6,244 | 13,785 |
| Financial Income | 6,835 | 1,065 |
| Net Income | 13,012 | 11,434 |

## Mozambique

### Cimentos de Moçambique, S.A.R.L.

**Registered Office**

Avª. 24 de Julho nº 7 – 9º/10º Andar
MAPUTO
Telef: 258 21 48 25 00/6
Fax's: 258 21 48 78 68/9

**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@mz.cimpor.com

**Field of Activity**

Production, distribution and sale of cement and other hydraulic binders, and related activities, namely the production, distribution and sale of hydraulic lime, cement products and other construction material, as well as research and the rendering of services.

| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 18,746 | 49,097 |
| Financial Debt (net) | 1,205 | 8,645 |
| Shareholder Equity | 25,905 | 39,632 |
| Turnover | 47,126 | 44,621 |
| Operating Cash Flow | 6,545 | 7,062 |
| Operating Income | 6,131 | 4,203 |
| Financial Income | -688 | - 4,708 |
| Net Income | 4,403 | - 2,788 |

## South Africa

### NPC – Natal Portland Cement (Pty), Lda.

**Registered Office**

199 Coedmore Road, Bellair
Durban
South Africa
Telef: 27 31 450 44 11
Fax: 27 31 451 90 10
NIPC: 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 kinds 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) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 29,363 | 63,368 |
| Financial Debt (net) | -17,367 | - 3,213 |
| Shareholder Equity | 108,971 | 77,446 |
| Turnover | 108,802 | 85,272 |
| Operating Cash Flow | 38,823 | 38,660 |
| Operating Income | 32,308 | 37,326 |
| Financial Income | -620 | - 185 |
| Net Income | 22,270 | 24,058 |

## Cape Verde

### Cimentos de Cabo Verde, S.A.

**Registered Office**

Estrada de Tira Chapéu, C.P. 14/A
Praia - Santiago
Cape Verde
Telef: 260 31 10
Fax: 261 20 86
NIPC: 200 117 840

**Board of Directors**

José Leonel da Silva Neto – *Chairman*
Rui Bebiano de Sá Viana Rebelo
Paulo Jorge Lima Veiga
José Manuel Henriques Guerreiro Nunes
António Luís Semedo

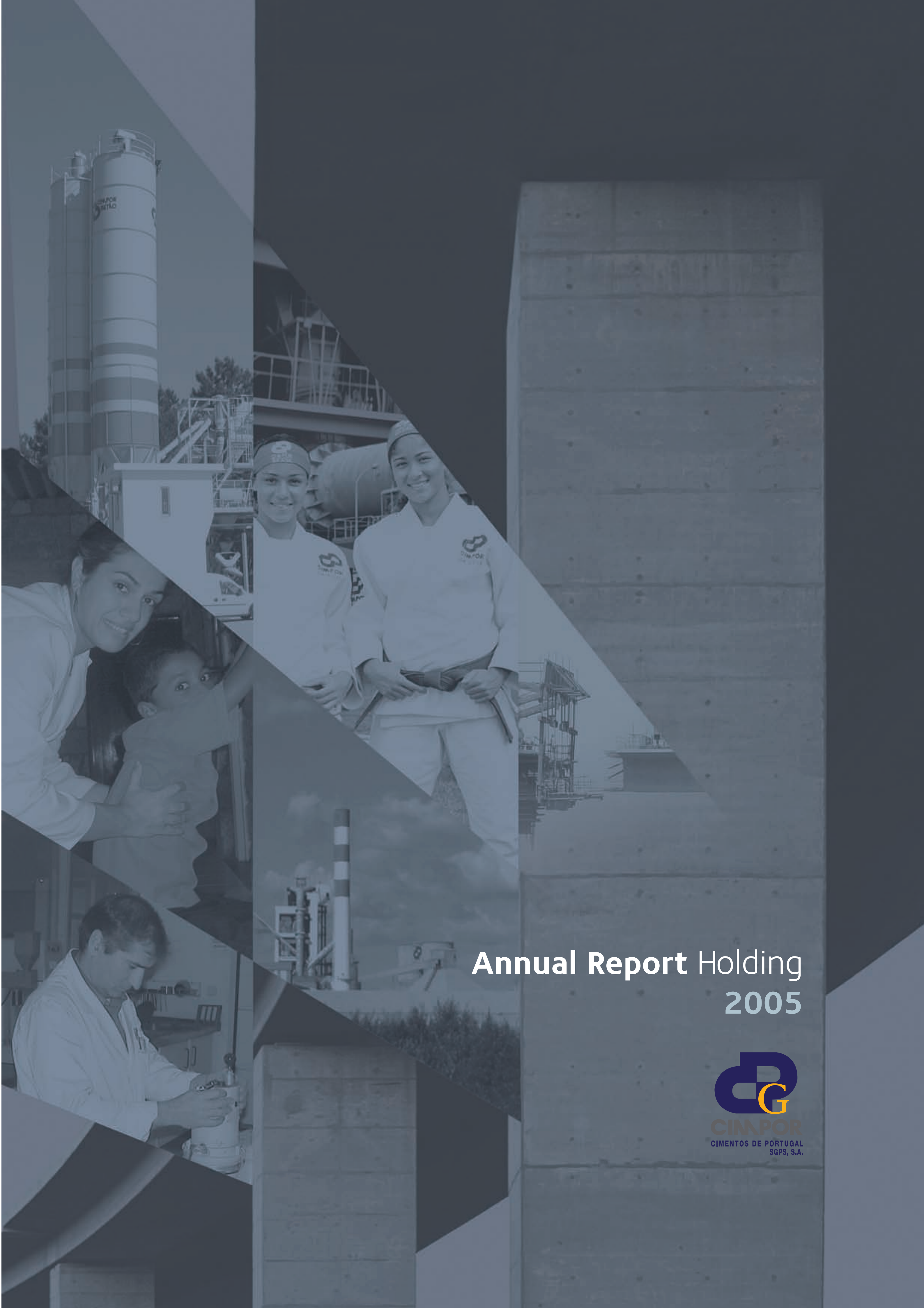
**Contact**

Rui Bebiano de Sá Viana Rebelo
E-mail – RRebelo@cimentoscv.com

**Field of Activity**

Production of cement and other binders, using the raw materials and natural resources found in Cape Verde; grinding of clinker and other products related to cement production and other binding agents; import, commercialisation, export and re-export of cement and other binders in bags or in bulk; the rendering of unloading and packing services for cement, other binders and products sold in bulk.

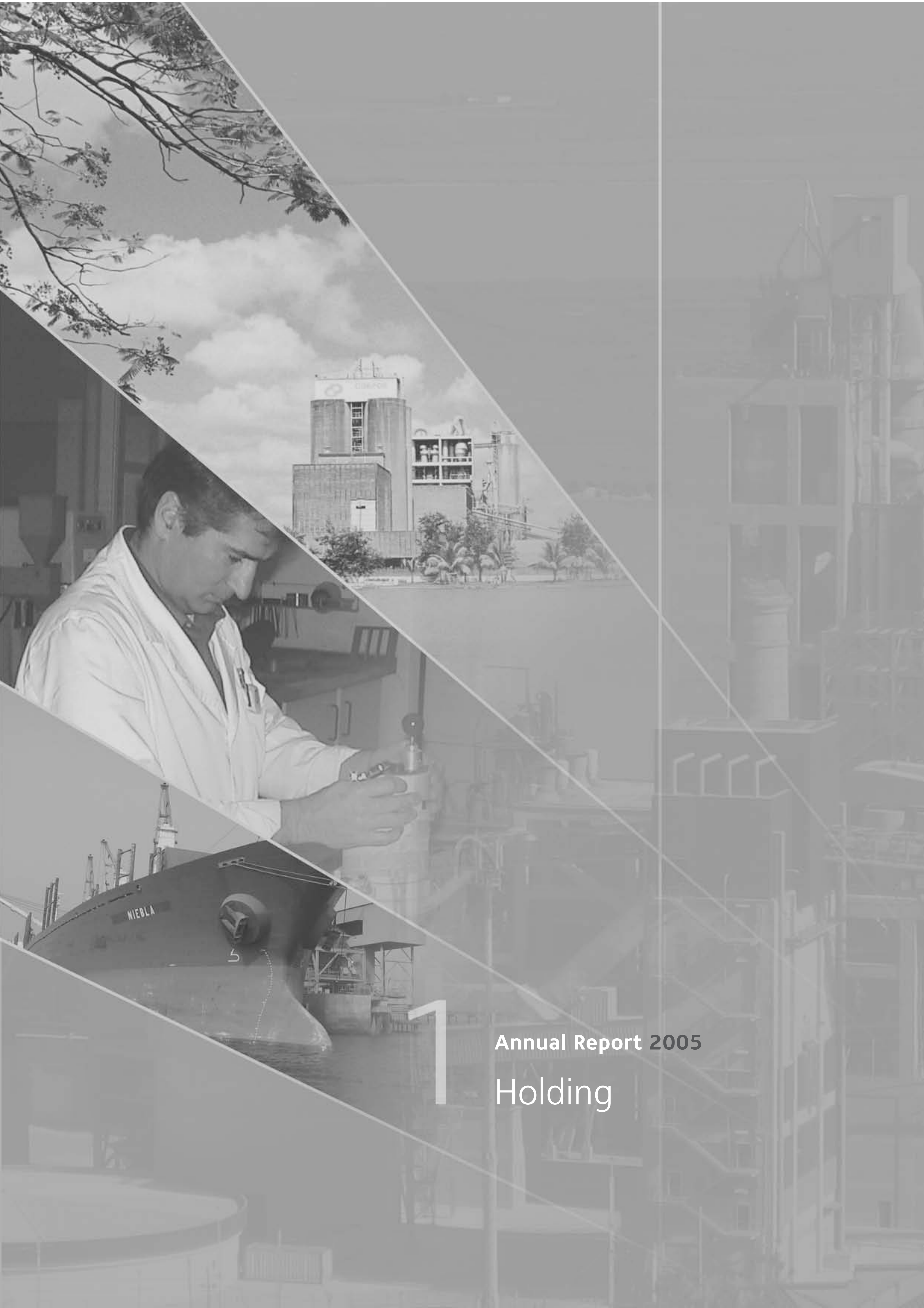
| Key Financial Data (1,000 euros) | 2005 | 2004 |
|---|---|---|
| Capital Employed | 3,222 | |
| Financial Debt (net) | 313 | |
| Shareholder Equity | 2,822 | |
| Turnover | 12,460 | |
| Operating Cash Flow | 1,218 | |
| Operating Income | 663 | |
| Financial Income | -64 | |
| Net Income | 398 | |



# Annual Report Holding 2005

CIMPOR
CIMENTOS DE PORTUGAL
SGPS, S.A.

# Contents

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**Annual Report** 2005

# Holding

The Management 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 evolution of the business activities of the Group companies. Shareholders are therefore recommended to read the consolidated report for further information on these matters.

## 1. Summary of the Business

The Holding Company's 2005 Turnover, of approximately 5.1 million euros, results exclusively from rendering management services to companies of the Group. As in 2004, the turnover was roughly 30% down on the previous year due to the additional transfer of a number of services to other Group companies set up for that purpose, namely CIMPOR - Serviços de Apoio à Gestão de Empresas, S.A., and CIMPOR TEC - Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A..

As a result, operating costs, before amortizations and provisions, were more than 32% lower than in 2004, totaling 11.7 million euros.

On the other hand, Financial Income went up approximately 71 million euros following the increased revenues (of more than 50%) in the Group's companies and associates (obtained using the consolidated by equity method). However, this increase was almost entirely cancelled out by the fact that the Extraordinary Income for 2005 was slightly negative in contrast with a positive figure of more than 65 million euros in the previous year.

Consequently, the Net Income for the year was very similar to that of 2004 and amounted to 187.7 million euros.

## 2. Legal Information

The following information is provided in compliance with the current legal requirements:

- No payments to Social Security are overdue;
- At the start of 2005, CIMPOR held a portfolio of 4,751,960 own shares. During the year, it sold a total of 884,660 shares to various Group employees under the stock purchase and option plans described in point 1.6. of the Annual Report on consolidated activities, at the following unit prices:

| Number of Shares | Price (euros) |
|---|---|
| 163,500 | 3.21 |
| 4,750 | 3.70 |
| 184,330 | 2.84 |
| 243,880 | 3.20 |
| 288,200 | 3.30 |

CIMPOR did not acquire any shares during the year and therefore at the end of 2005 it held 3,867,300 own shares, representing 0.58% of its share capital;

— No transactions took place between the Company and its directors.

## 3. Post Balance Sheet Events

No events of special significance took place after the end of 2005, other than those already described in the Management Report on the consolidated operations of the CIMPOR Group.

## 4. The Outlook for 2006

Although expectations for cement consumption in the Portuguese market are not very optimistic and a significant recovery in the sale price on the Brazilian market is unlikely, growth in the markets of North and Southern Africa where the Group operates and increased trading permit the company to look forward to 2006 with optimism.

## 5. Proposed Appropriation of Profits

As reflected in the Financial Statements, net income for 2005 amounted to 187,718,321.94 euros in individual terms.

In compliance with the parameters defined in the Articles of Association and the Company's dividend distribution policy described in the Management Report on the Group's consolidated operations, it is proposed that the net income be appropriated as follows:

- 9,400,000.00 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 20 of the Articles of Association, 2,750,000 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 2005;
- 127,680,000.00 euros to be distributed among shareholders, corresponding to a dividend of 0.19 euros per share (5.6% more than in the previous year);
- the remaining balance of 47,888,321.94 euros to be appropriated to Retained Earnings.

Lisbon, 17th April 2006

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

Vicente Árias Mosquera

José Manuel Baptista Fino

José Enrique Freire Arteta


**Annual Report** **Holding**

# 2 Financial Statements of the Holding Company

# Balance Sheets

as of 31 December 2005 and 2004

(Translated and reformatted from the Portuguese original - Note 26) (Amounts stated in thousands of euros)

| | Notes | 2005 | 2004 |
|---|---|---|---|
| **Current assets:** | | | |
| Cash and cash equivalents | | 916 | 8,428 |
| Accounts receivable-trade, net | 3 | 24 | 24 |
| Accounts receivable-other, net | 3 | 36,459 | 115,093 |
| Prepaid expenses and other current assets | 10 | 58,113 | 248 |
| Total current assets | | **95,512** | **123,793** |
| **Non-current assets:** | | | |
| Investments, net | 5 | 1,226,885 | 943,963 |
| Fixed assets, net | 6 | 6,687 | 6,927 |
| Other non-current assets, net | 4 | 5 | 8 |
| Deferred taxes | 13 | 493 | 10,833 |
| Total non-current assets | | **1,234,070** | **961,731** |
| Total assets | | **1,329,582** | **1,085,523** |
| **Current liabilities:** | | | |
| Loans | 7 | 249 | 249 |
| Accounts payable-trade | 8 | 464 | 364 |
| Accounts payable-other | 8 | 360 | 38,564 |
| Accrued expenses | 9 | 58,959 | 1,187 |
| Taxes payable | 11 | 14,221 | 702 |
| Provision for other risks and costs | 12 | 83,458 | 73,516 |
| Total current liabilities | | **157,711** | **114,582** |
| **Non-current liabilities:** | | | |
| Loans | 7 | 5,000 | 249 |
| Deferred taxes | 13 | 326 | 340 |
| Total non-current liabilities | | **5,326** | **589** |
| Total liabilities | | **163,037** | **115,171** |
| **Shareholders' equity:** | | | |
| Share capital | 16 | 672,000 | 672,000 |
| Treasury shares | 16 | (12,796) | (15,534) |
| Revaluation reserve | 16 | 1,895 | 1,938 |
| Legal reserve | 16 | 85,800 | 76,500 |
| Other reserves and retained earnings | 16 | 231,928 | 49,540 |
| Net income for the year | 16 | 187,718 | 185,909 |
| Total shareholders' equity | | **1,166,545** | **970,353** |
| Total liabilities and shareholders' equity | | **1,329,582** | **1,085,523** |

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

**The Board of Directors**

Ricardo Bayão Horta

Luís Eduardo da Silva Barbosa
Jean Carlos Angulo
Luís Filipe Sequeira Martins
Pedro Maria Calaínho Teixeira Duarte
José Manuel Baptista Fino

Jacques Lefèvre
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
Vicente Árias Mosquera
José Enrique Freire Arteta

## Statements of Profit and Loss

for the years ended 31 December 2005 and 2004

(Translated and reformatted from the Portuguese original - Note 26) (Amounts stated in thousands of euros)

| | Notes | 2005 | 2004 |
|---|---|---|---|
| **Operating income:** | | | |
| Sales and services rendered | 17 | 5,113 | 7,283 |
| Other income and costs | | 1,554 | 852 |
| Amortisations and adjustments reversial | | 143 | 105 |
| Total operating income | | **6,810** | **8,240** |
| **Operating expenses:** | | | |
| Outside supplies and services | | (4,089) | (7,205) |
| Payroll | 18 | (7,518) | (9,812) |
| Depreciation and amortisation | | (268) | (281) |
| Provisions | | (11,995) | (6,121) |
| Other operating expenses | | (105) | (126) |
| Total operating expenses | | **(23,975)** | **(23,546)** |
| Operating loss | | (17,166) | (15,306) |
| Financial income, net | 19 | 200,574 | 129,261 |
| Extraordinary items, net | 20 | (413) | 65,689 |
| Income before income tax | | 182,995 | 179,644 |
| Income tax | 13 | 4,723 | 6,265 |
| Income before minority interest | | 187,718 | 185,909 |
| Net profit for the year | | **187,718** | **185,909** |

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

**The Board of Directors**

Ricardo Bayão Horta

Luís Eduardo da Silva Barbosa
Jean Carlos Angulo
Luís Filipe Sequeira Martins
Pedro Maria Calaínho Teixeira Duarte
José Manuel Baptista Fino

Jacques Lefèvre
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
Vicente Árias Mosquera
José Enrique Freire Arteta

# Statements of Cash Flows

for the years ended 31 December 2005 and 2004

(Translated and reformatted from the Portuguese original - Note 26) (Amounts stated in thousands of euros)

| | | Notes | 2005 | 2004 |
|---|---|---|---|---|
| **Operating activities:** | | | | |
| Received from clients | | | 443 | 188 |
| Paid to suppliers | | | (4,387) | (9,486) |
| Paid to personnel | | | (9,926) | (13,276) |
| Flows generated by operations | | | (13,870) | (22,574) |
| Income tax recovered / paid | | | 32,273 | 40,195 |
| Other | | | 8,350 | 7,141 |
| Cash flow before extraordinary items | | | 26,752 | 24,763 |
| Receipts relating to extraordinary items | | | 30 | - |
| Payments relating to extraordinary items | | | (55) | (8) |
| **Flows from operating activities** | **(1)** | | **26,728** | **24,754** |
| **Investing activities:** | | | | |
| Receipts relating to: | | | | |
| Investments | | 1 | 59,734 | 208,460 |
| Property, plant and equipment | | | 115 | 101 |
| Interest and similar income | | | 14,499 | 11,835 |
| Dividends | | 2 | 111,255 | 15,666 |
| **Total receipts** | | | **185,603** | **236,062** |
| Payments relating to: | | | | |
| Investments | | 3 | (90,636) | (6,715) |
| Property, plant and equipment | | | - | (138) |
| **Total payments** | | | **(90,636)** | **(6,853)** |
| **Flows from investing activities** | **(2)** | | **94,967** | **229,210** |
| **Financing activities:** | | | | |
| Receipts relating to: | | | | |
| Loans obtained | | 4 | 5,000 | 12,500 |
| Sale of treasury shares | | | 2,785 | 1,687 |
| Other | | 5 | 64,000 | 101,000 |
| **Total receipts** | | | **71,785** | **115,187** |
| Payments relating to: | | | | |
| Loans | | 4 | (249) | (92,401) |
| Interest and related expenses | | | (16,358) | (19,192) |
| Dividends | | | (120,299) | (113,465) |
| Other | | 5 | (64,000) | (136,400) |
| **Total payments** | | | **(200,907)** | **(361,459)** |
| **Flows from financing activities (3)** | | | **(129,122)** | **(246,272)** |
| Net change in cash and cash equivalents (4) = (1)+(2)+(3) | | | (7,427) | 7,692 |
| Net cash and cash equivalents at the beginning of period | | | 8,428 | 1,783 |
| Foreign exchange effect | | | (84) | (1,047) |
| Net cash and cash equivalents at the end of period | | | **916** | **8,428** |

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

**The Board of Directors**

Ricardo Bayão Horta

Luís Eduardo da Silva Barbosa
Jean Carlos Angulo
Luís Filipe Sequeira Martins
Pedro Maria Calaínho Teixeira Duarte
José Manuel Baptista Fino

Jacques Lefèvre
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
Vicente Árias Mosquera
José Enrique Freire Arteta

## Statements of Cash Flows (continued)

(Amounts stated in thousands of euros)
(Translated and reformatted from the Portuguese original - Note 26)

## 1. Receipts relating to investments

a) Repayment of supplementary capital contributions:

| | Amounts received |
|---|---|
| CIMPOR Finance, Limited | 9,721 |

b) Sale of subsidiary companies

| | Amounts received |
|---|---|
| CIMPOR Internacional, SGPS, S.A. | 37,000 |
| CIMPOR Finance, Limited | 13,000 |
| Amreyah Cement Company | 13 |
| | **50,013** |
| | **59,734** |

## 2. Dividends received

| | Amounts received |
|---|---|
| CIMPOR Portugal, SGPS, S.A. | 111,250 |
| CIMPOR Investimentos, SGPS, S.A. | 5 |
| | **111,255** |

## 3. Payments relating to investments

a) Acquisitions and capital increases in subsidiaries and other investments

| | Amounts paid |
|---|---|
| CIMPOR Inversiones, S.L. | 90,636 |

## 4. Loans

| | Currency | Loans obtained the year | Loans paid during the year |
|---|---|---|---|
| Banco Santander | EUR | 5,000 | - |
| ICEP | EUR | - | 249 |
| | | **5,000** | **249** |

## 5. Loans to and from Group companies

| | Amounts paid during the year | Amounts received during the year |
|---|---|---|
| CIMPOR - Indústria de Cimentos, S.A. | 22,000 | 60,000 |
| CIMPOR Internacional, SGPS, S.A. | 39,000 | 1,000 |
| CIMPOR Portugal, SGPS, S. A. | 3,000 | 3,000 |
| | **64,000** | **64,000** |

# Statements of Changes in Shareholders' Equity

for the years ended 31 December 2005 and 2004

(Translated and reformatted from the Portuguese original - Note 26) (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 2003 | **672,000** | **(17,403)** | **1,980** | **67,200** | **(101,339)** | **152,265** | **185,883** | **960,586** |
| Earnings allocated to reserves | - | - | - | 9,300 | - | 60,493 | (69,793) | - |
| Dividends paid | - | - | - | - | - | 775 | (114,240) | (113,465) |
| Distribution of profits to employees | - | - | - | - | - | - | (1,850) | (1,850) |
| Acquisiton/sale of treasury shares | - | 1,869 | - | - | - | (37) | - | 1,832 |
| Other adjustments | - | - | (42) | - | 119,747 | (182,364) | - | (62,659) |
| Net profit for the year | - | - | - | - | - | - | 185,909 | 185,909 |
| Balances as of 31 December 2004 | **672,000** | **(15,534)** | **1,937** | **76,500** | **18,408** | **31,132** | **185,909** | **970,352** |
| Earnings allocated to reserves | - | - | - | 9,300 | - | 53,149 | (62,449) | - |
| Dividends paid | - | - | - | - | - | 661 | (120,960) | (120,299) |
| Distribution of profits to employees | - | - | - | - | - | - | (2,500) | (2,500) |
| Acquisiton/sale of treasury shares | - | 2,738 | - | - | - | 60 | - | 2,798 |
| Other adjustments | - | - | (42) | - | 177,599 | (49,081) | - | 128,476 |
| Net profit for the year | - | - | - | - | - | - | 187,718 | 187,718 |
| Balances as of 31 December 2005 | 672,000 | (12,796) | 1,895 | 85,800 | 196,007 | 35,921 | 187,718 | 1,166,545 |

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

**The Board of Directors**

Ricardo Bayão Horta

Luís Eduardo da Silva Barbosa
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Jacques Lefèvre
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
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# Notes to the Financial Statements
## for the years ended 31 December 2005 and 2004

(Amounts stated in thousands of euros)
(Translated and reformatted from the Portuguese original - Note 26)

## 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, Brazil, Tunisia, Egypt, South Africa and Cape Verde ("the CIMPOR Group").

The Company`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 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.

**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 and adjustments**

The provisions and adjustments are stated at the amount considered necessary to cover potential risks in the collection of overdue accounts receivable balances.

Other provisions and adjustments 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 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.

**Healthcare benefits**

Certain subsidiary companies have supplementary healthcare 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 charges".

**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 and assessed periodically, using the rates expected to be in force when the timing differences reverse and are not subject to discounting.

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 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.

**Current classification**

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

**Derivative financial instruments and hedge accounting**

The Group has the policy of resorting to financial derivative instruments to hedge the financial risks to which it is exposed as a result of changes in interest rates and exchange rates.

In this respect the Group does not contract derivative financial instruments for speculation purposes.

The Group resorts to financial derivative instruments in accordance with internal policies set and approved by the Board of Directors.

Financial derivative instruments are measured at fair value. The method of recognising this depends on the nature and purpose of the transaction.

Hedge accounting

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

Variations in the fair value of derivative instruments designated as fair value hedges are recognised as financial income or expense for the period, together with changes in the fair value of the asset or liability subject to the risk.

Variations in the fair value of derivative financial instruments designated as cash flow hedging instruments are recorded in the caption Hedging adjustments as regards their effective component and in financial income or expense for the period as regards their non effective component. The amounts recorded under Hedging adjustments are transferred to the statement of profit and loss in the period in which the effect on the item covered is also reflected in the statement of profit and loss.

Variations in the value of derivative financial instruments hedging net investments in a foreign entity, are recorded in the caption Exchange translation adjustments as regards their effective component. The non effective component of such variations is recognised immediately as financial income or expense for the period. If the hedging instrument is not a derivative, the corresponding variations resulting from changes in the exchange rate are recorded in the caption Exchange translation adjustments.

Hedge accounting is discontinued when the hedging instrument matures, is sold or exercised, or when the hedging relationship ceases to comply with the requirements of IAS 39.

Trading instruments

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

## 3. Accounts receivable, net

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Accounts receivable from affiliated companies (Note 14) | 35,017 | 75,295 |
| Accounts receivable from public entities | 1,365 | 2,421 |
| Other receivables | 101 | 37,401 |
| | 36,483 | 115,117 |

## 4. Other non-current assets, net

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Doubtful accounts receivable | 5,661 | 5,984 |
| Other receivables | 615 | 618 |
| | 6,276 | 6,602 |
| Adjustments for doubtful accounts receivable (Note 15) | (6,272) | (6,594) |
| | 5 | 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 an adjustment for doubtful accounts receivable to cover the estimated loss on their realisation.

## 5. Investments, net

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| **Affiliated companies:** | | |
| CIMPOR Inversiones, S.L. | 790,667 | 488,451 |
| CIMPOR Portugal, SGPS, S.A. | 421,771 | 420,739 |
| CIMPOR Reinsurance, S.A. | 7,678 | 6,625 |
| Kandmad, SGPS, Lda | 4,433 | 4,277 |
| CIMPOR Financial Operations, B.V. | 2,084 | 1,509 |
| "CIMPOR Tec - Engenharia e Serviços Técnicos de Apoio ao Grupo, S.A." | 129 | 50 |
| Cement Services Company | 47 | 47 |
| CIMPOR Egypt For Cement | 4 | - |
| CIMPOR Finance Limited | - | 22,192 |
| | 1,226,812 | 943,890 |
| **Securities and other investments:** | | |
| Companhia de Cimentos de Moçambique, S.A. | 4,050 | 4,050 |
| Others | 74 | 74 |
| | 4,124 | 4,124 |
| Adjustments for investments | (4,051) | (4,051) |
| | **1,226,885** | **943,963** |

The investments in affiliated companies are recorded in accordance with the equity method of accounting. Other participations are stated at cost less, when applicable, adjustments for estimated losses on realisation.

Application of the equity method to investments in affiliated companies had the following effect:

| | Profit/ (loss) (Note 19) | Adjustment in equity investments (Note 16) | Dividends | Provisions increase/ (decrease) (Note 12) | Total |
|---|---|---|---|---|---|
| Cement Services Company | (5) | 10 | (5) | - | - |
| CIMPOR Egypt for Cement | 1 | 2,805 | - | (2,802) | 4 |
| CIMPOR Financial Operations, B.V. | 575 | - | - | - | 575 |
| CIMPOR Inversiones,S.A. | 91,717 | 119,862 | - | - | 211,580 |
| CIMPOR Portugal, SGPS, S.A. | 109,606 | 2,677 | (111,250) | - | 1,032 |
| CIMPOR Reinsurance, S.A. | 1,053 | - | - | - | 1,053 |
| CIMPOR Tec, S.A. | 79 | - | - | - | 79 |
| Kandmad, SGPS, Lda. | 155 | - | - | - | 155 |
| | **203,181** | **125,354** | **(111,255)** | **(2,802)** | **214,478** |

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:

| | 2005 | 2004 |
|---|---|---|
| **Cost:** | | |
| Land | 2,409 | 2,409 |
| Buildings and other constructions | 8,846 | 8,843 |
| Basic equipment | 3,095 | 3,051 |
| Transportation equipment | 230 | 319 |
| Administrative equipment | 5,358 | 5,601 |
| Fixed assets in progress | - | 33 |
| | **19,938** | **20,257** |
| **Accumulated depreciation:** | | |
| Buildings and other constructions | (4,982) | (4,804) |
| Basic equipment | (3,019) | (2,978) |
| Transportation equipment | (214) | (308) |
| Administrative equipment | (5,035) | (5,239) |
| | **(13,250)** | **(13,330)** |
| **Net book values:** | | |
| Land | 2,409 | 2,409 |
| Buildings and other constructions | 3,863 | 4,040 |
| Basic equipment | 76 | 72 |
| Transportation equipment | 16 | 11 |
| Administrative equipment | 323 | 362 |
| Fixed assets in progress | - | 33 |
| | **6,687** | **6,927** |

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 | 359 | 2,050 | 2,409 |
| Buildings and other constructions | 919 | 2,945 | 3,863 |
| Basic equipment | 76 | - | 76 |
| Transportation equipment | 16 | - | 16 |
| Administrative equipment | 303 | 20 | 323 |
| | **1,674** | **5,015** | **6,687** |

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:

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Short-term | Long-term | Short-term | Long-term |
| Bank loans | - | 5,000 | - | - |
| Other loans | 249 | - | 249 | 249 |
| | **249** | **5,000** | **249** | **249** |

## 8. Accounts payable

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Accounts payable to related companies | 224 | 38,552 |
| Accounts payable to suppliers | 465 | 364 |
| Other creditors | 136 | 11 |
| | **825** | **38,927** |

## 9. Accrued expenses

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Financial instruments | 57,869 | - |
| Vacation pay and vacation bonus | 944 | 1,092 |
| Other | 146 | 95 |
| | **58,959** | **1,187** |

## 10. Prepaid expenses

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Financial instruments | 57,869 | - |
| Other | 244 | 248 |
| | **58,113** | **248** |

## 11. Taxes payable

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Income tax | 13,987 | - |
| Withholding tax | 103 | 201 |
| Value added tax | 46 | 389 |
| Social Security contributions | 85 | 111 |
| | **14,221** | **702** |

## 12. Movement in the provisions

During the year ended 31 December 2005, the movement in the provision account balances, was as follows:

| | Beginning balance | Increases | Decreases (Notes 5 and 19) | Ending balance |
|---|---|---|---|---|
| Provisions for other risks and charges: | | | | |
| Tax contingencies | 69,542 | 10,244 | - | 79,786 |
| Other risks and charges | 3,974 | 2,500 | (2,802) | 3,672 |
| | **73,516** | **12,744** | **(2,802)** | **83,458** |

The increase in the provision for tax contingencies was recorded by corresponding entry to the following captions:

| | |
|---|---|
| Provision | 9,495 |
| Tax contingencies | 749 |
| | **10,244** |

## 13. 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 2002 to 2005 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 2001, 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.

In order to recognise this situation, the Company has recorded a provision of 79,786 thousand euros, of which 42,919 thousand euros (Note 12) relates to the additional tax assessment, including an estimate for the years 2002 to 2005 not yet reviewed, corresponding the remaining balance 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 2005 and the effective income tax rate, is as follows:

| | Tax base | Income tax |
|---|---|---|
| Profit before income tax | 182,995 | |
| Timimg differences | 33 | |
| Permanent differences | (189,042) | |
| | **(6,014)** | |
| Normal charge | | (1,654) |
| Autonomous taxation | | 12 |
| | | (1,642) |
| Deferred tax on timing differences reversed in the period | | (9) |
| Tax contingencies (Note 12) | | 749 |
| Prior year adjustments | | (618) |
| Adjustments to the consolidated tax Group's tax and others | | (3,202) |
| Charge for the period | | **(4,723)** |

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 2005 is as follows:

| | Beginning balance | Net income | Transfers | Ending balance |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Adjustments for doubtful debts | 477 | (5) | - | 472 |
| Provision for other risks and charges | 21 | - | - | 21 |
| Tax losses carried forward | 10,335 | - | (10,335) | - |
| | 10,833 | (5) | (10,335) | 493 |
| Deferred tax liabilities: | | | | |
| Revaluation of tangible fixed assets | **340** | **(14)** | **-** | **326** |

## 14. Related parties

The principal balances at 31 December 2005 and transactions in the year then ended with Group companies are as follows:

| | Accounts receivable | Accounts payable | | Transactions | |
|---|---|---|---|---|---|
| | **Group companies** | **Accounts payable** | **Group companies** | **Services rendered** | **Other income** |
| Agrepor Agregados, S.A. | 88 | - | - | - | 89 |
| Alempedras, Sociedade de Britas, Lda. | 2 | - | - | - | 2 |
| Betaçor-Fab. Bet. Artef. Cimento, S.A. | 3 | - | - | - | 3 |
| Betão Liz, S.A. | 107 | - | - | - | 107 |
| Cecisa Comércio Internacional, S.A. | 25 | - | - | - | 25 |
| Celfa, S.A. | 4 | - | - | - | 4 |
| Cement Trading Activities, S.A. | 18 | - | - | - | 18 |
| Ciarga - Argamassas Secas, S.A. | 31 | - | - | - | 31 |
| Cimadjuvantes, Lda. | 2 | - | - | - | 1 |
| Cimentaçor - Cimentos dos Açores, Lda. | 52 | - | - | - | 52 |
| Cimentos de Moçambique, SARL | - | - | - | - | 6 |
| CIMPOR - Indústria Cimentos, S.A. | 1,004 | - | 175 | 4,650 | 1 |
| CIMPOR Betão -Indústria Betão Pronto, S.A. | 176 | - | - | - | 176 |
| CIMPOR Egypt for Cement, S.A.E. | 48 | - | - | - | - |
| CIMPOR Finance Limited | 48 | - | - | - | - |
| CIMPOR Imobiliária, S.A. | 14 | - | - | - | 14 |
| CIMPOR Internacional, SGPS, S.A. | 12 | - | 1 | 60 | - |
| CIMPOR Inversiones, SL | 2,957 | - | - | 373 | 34 |
| CIMPOR Investimentos, SGPS, S.A. | 6 | - | - | 30 | - |
| CIMPOR Portugal, SGPS, S.A. | 29,731 | - | - | - | 2 |
| CIMPOR Serviços Apoio à Gestão Empresas, S.A. | 222 | 253 | 48 | - | 19 |
| CIMPOR Tec, S.A. | 40 | - | - | - | 53 |
| Fornecedora de Britas do Carregado, S.A. | 13 | - | - | - | 14 |
| Geofer - Prod.Com.de Bens Equip., S.A. | 176 | - | - | - | 176 |
| Ibera, S.A. | 4 | - | - | - | 4 |
| Imopar, SARL | 11 | - | - | - | - |
| Jomatel-Emp. Mat. Construção, S.A. | 28 | - | - | - | 28 |
| Mossines, S.A. | 62 | - | - | - | 62 |
| Prescor, S.A. | - | - | - | - | 7 |
| Sacopor-Soc Emb e Sacos de Papel, S.A. | 35 | - | - | - | 35 |
| Scanang, Lda | 23 | - | - | - | - |
| Société des Ciments de Jbel Oust | 56 | - | - | - | 70 |
| Transviária - Gestão de Transpores, S.A. | 17 | - | - | - | 17 |
| | **35,017** | **253** | **224** | **5,113** | **1,050** |

The balance receivable from CIMPOR Portugal, SGPS includes 29,699 thousand euros relating to tax income according to the special regime for taxation of groups of companies.

## 15. Movements occurred in the caption of asset adjustments

During the year ended 31 December 2005, the movement in adjustments, was as follows:

| | Beginning balance | Utilization | Reversion | Ending balance |
|---|---|---|---|---|
| Adjustments for: | | | | |
| Doubtful accounts receivable | 5,984 | (180) | (143) | 5,661 |
| Other debtors/ shareholders | 611 | - | - | 611 |
| | **6,594** | **(180)** | **(143)** | **6,272** |

## 16. Share capital and reserves

At 31 December 2005, 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 its related companies and its corporate board members):

| | % | Number of shares |
|---|---|---|
| Teixeira Duarte, SGPS, S.A. | 22.49 | 151,112,489 |
| Grupo Credit Suisse First Bóston | 12.73 | 85,538,586 |
| 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 | 4.42 | 29,680,539 |
| HSBC Holdings plc | 2.99 | 20,119,288 |
| Bipadosa, S.A. | 2.01 | 13,509,025 |
| Others | 21.44 | 144,106,248 |
| | **100.00** | **672,000,000** |

### Revaluation reserve

This caption results from the revaluation of property, plant and equipment in accordance with the applicable legislation. 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 2004 was appropriated as follows, in accordance with a decision of the Shareholders' Annual General Meeting held on 27 April 2005:

| | |
|---|---|
| Dividends | 120,960 |
| Employees' bonus | 2,500 |
| Retained earnings | 53,149 |
| Legal reserve | 9,300 |
| | **185,909** |

Undistributed dividends attributed to own shares, in the mount of 661 thousand euros, are included on the caption "Other reserves and retained earnings".

**Treasury shares**

Commercial legislation relating to treasury 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 treasury shares corresponds to the sale of 884,660 shares to several employees of the Group for a total of 2,738 thousand euros, which resulted in an increase of 60 thousand euros in Other reserves.

At 31 December 2005 CIMPOR held 3,867,300 treasury 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 (Note 5); and, (iii) exchange differences on foreign currency medium and long-term intra-group balances, which, in practice, correspond to extensions of the investments.

## 17. Sales and services rendered

Sales and services rendered for the year ended 31 December 2005 result from contracts to render administrative services entered into with affiliated companies.

## 18. Payroll costs

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| Salaries | 5,769 | 7,055 |
| Social charges: | | |
| Pensions | 130 | 126 |
| Others | 1,619 | 2,632 |
| | **7,518** | **9,812** |

## 19. Financial income, net

This caption consists of:

| | 2005 | 2004 |
|---|---|---|
| **Income:** | | |
| Interest income | 2,234 | 843 |
| Gain in group companies (Note 5) | 203,186 | 130,377 |
| Foreign exchange gains | 67 | 34 |
| | 205,487 | 131,254 |
| **Expenses:** | | |
| Interest expense | 1,084 | 890 |
| Loss in group companies (Note 5) | 5 | 3 |
| Foreign exchange loss | 3,416 | 666 |
| Other financial expenses | 407 | 434 |
| | 4,913 | 1,993 |
| Net financial income | **200,574** | **129,261** |

## 20. Extraordinary items, net

This caption consist of:

| | 2005 | 2004 |
|---|---|---|
| **Extraordinary income:** | | |
| Debt recovery | 10 | 3 |
| Gain on the sale of fixed assets | 7 | 69,485 |
| Other extraordinary income | 36 | 3 |
| | 53 | 69,491 |
| **Extraordinary expenses:** | | |
| Donations | 80 | 3 |
| Loss on the disposal of fixed assets | 366 | 2,085 |
| Prior year adjustments | - | 19 |
| Other extraordinary expenses | 20 | 1,695 |
| | 466 | 3,802 |
| Net extraordinary items | **(413)** | **65,689** |

## 21. Guarantees

At 31 December 2005 the Company had outstanding letters of guarantee and bank guarantees given to third parties totalling 59,999 thousand of euros. These guarantees are mainly related to additional tax assessments received, which responsibility is considered on the caption of tax contingencies on Provisions for other risks and charges (Note 12).

## 22. Commitments

### Retirement pension benefits and medical benefits

As explained in Note 2, some Group companies have supplementary retirement and healthcare plans for their employees. The liability under these plans is reflected in the financial statements as of 31 December 2005 in accordance with the applicable accounting standards.

The past service liability relating to current and retired employees as of 31 December 2005 amounted to 113,051 thousand euros, of which 79,646 thousand euros was covered by pension funds established for the purpose.

The unfunded amount of 33,405 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 15,020 thousand euros is for the Egyptian business area, 9,283 thousand euros for the Portuguese business area and 3,524 thousand euros for the Moroccan business area.

On 1 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 |
| CIMPOR Indústria de Cimentos, S.A. | 60,000 |
| Amreyah Cement Company, S.A.E. | 19,363 |
| Amreyah Cimpor Cement Company, S.A.E. | 16,187 |
| CIMPOR Cimentos do Brasil, LTDA | 11,594 |
| Cimentos de Moçambique, S.A.R.L. | 4,953 |
| Imopar, S.A.R.L. | 2,180 |
| Ciarga – Argamassas Secas, S.A. | 625 |
| Cimento Atol, LTDA | 16 |
| | **459,628** |

## 23. Stock option plans

At the Shareholders' General Meeting held on 27 April 2005 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 2005 were as follows:

| PLAN | Number of Shares | Unit price | Date |
|---|---|---|---|
| Stock Option Plan - derived options - 2002 series | 4,750 | 3.70 | 31 March |
| Stock Option Plan - derived options - 2003 series | 184,330 | 2.84 | 31 March |
| Stock Option Plan - derived options - 2004 series | 243,880 | 3.20 | 31 March |
| Stock Option Plan - 2005 series | 288,200 | 3.30 | 18 May |
| Employee Stock Acquisition Plan - year 2005 | 163,500 | 3.21 | 18 May |
| | **884,660** | | |

## 24. Financial instruments

In accordance with the CIMPOR Group`s risk management policies, CIMPOR Holding contract a group of financial derivative instruments destined to minimize the exhibition risks to variations of interest and exchange rates, the one that is exposed through yours affiliated CIMPOR Inversiones.

For the effect, CIMPOR Holding and CIMPOR Inversiones signed a contract in the terms of ISDA (International Swaps and Derivatives Association), that regulates the operations of derivative instruments contracted among both. In this sense, the existent hedging positions between CIMPOR Holding and the formal parts (financial institutions) are replied, to CIMPOR Inversiones which becomes the holder of rights and obligations related to contracted positions. In this way, assets/liabilities accounted in CIMPOR Holding, are the reflex of symmetrical positions maintained with the financial institutions and CIMPOR Inversiones.

CIMPOR Holding contracts this type of instruments after analyzing the risks that affects the assets and liabilities of the Group and to verify which of the existent instruments in the market revealed more appropriate to cover those risks.

Under the risk management policy of the CIMPOR Group, a wide range of 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 adequate 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.

The recognition of financial instruments and its classification as instruments held for hedging or trading purposes, is based on the instructions of IAS 39.

Hedge accounting is applicable to financial derivatve instruments that are effective as regards the elimination of variations in the fair value or cash flows of the underlying assets/liabilities. The effectiveness of such operations is verified on a regular quarterly basis. Hedge accounting covers three types of operations:

- Fair value hedging
- Cash flow hedging
- Net investment hedging in foreign entities.

Fair value hedging instruments are 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 instruments are 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.

Instruments hedging net investment in foreign entities are exchange rate financial derivative instruments that hedge the effect, on shareholders' equity, of the risks on translation of the financial statements of foreign entities. Changes in the fair value of these hedging operations are recorded in the shareholders' equity caption "Hedging adjustments" until the hedged investment is sold or liquidated.

Instruments held for trading purposes are financial derivative instruments contracted in accordance with the Group's risk management policies 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.

The effects recognized in CIMPOR Inversiones's financial statements are reflected in the Company`s financial statements through the application of the equity method of accounting.

**Fair value of financial instruments**

On 31 December 2005, the fair value of derivative financial instruments were as follows:

| | |
|---|---|
| Cash-flow hedges | |
| Interest rate swaps | 466 |
| Trading | |
| Interest rate swaps | 57,403 |
| | **57,869** |

## 25. Subsequent events

The more significant events that occurred after 31 December 2005 are described in the Directors' Report.

## 26. 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.


**Annual Report Holding**

# Report and Opinion of the Audit Board

# Legal Certification of Accounts and Auditor's Report

# Report and Opinion of the Audit Board
## on the Non-Consolidated Financial Statements for 2005

(Translation of a report originally issued in Portuguese)

To the Shareholders,

In compliance with current legislation, the articles of association of CIMPOR - Cimentos de Portugal, SGPS, S.A. ("the Company") and our mandate, the Audit Board submits its report on the procedures performed and its opinion on the documents of account for the year 2005, presented to it for review by the Board of Directors.

The Audit Board accompanied the operations and business of the Company, comprising mainly a review of the documents and accounting records, review of the minutes of meetings of the Board of Directors and Executive Committee and review and analysis of other documentation in order to assess compliance with current legislation and the articles of association. The Audit Board also performed tests and other procedures to the extent that it considered necessary in the circumstances, and maintained regular contact with the Board of Directors and other management personnel, having requested and obtained all the information and explanations considered necessary.

In the course of our work we reviewed the Directors' Report prepared by the Board of Directors and concluded that it is in compliance with the legal requirements. We also reviewed the financial statements for the year ended 31 December 2005, which comprise the balance sheet, statement of profit and loss by nature and by functions, statement of cash flows and corresponding notes prepared by the Board of Directors, as regards the accounting principles used to prepare them and their compliance with generally accepted accounting principles in Portugal, as well as compliance with the legal and articles of association requirements.

The proposed appropriation of results, presented by the Board of Directors, is in accordance with the legal and articles of association requirements and shows the amount available for distribution.

The Audit Board reviewed the Report issued by the Statutory Auditor in accordance with item 2, article 451 of the Commercial Company Code *(Código das Sociedades Comerciais)*, as well as the Legal Certification of Accounts and Audit Report, with which it is in agreement.

Consequently, in our opinion, the above mentioned documents of account, as well as the proposed appropriation of results, are in accordance with the accounting, legal and articles of association requirements, and so can be approved by the Shareholders.

The Audit Board expresses its thanks to the Board of Directors and personnel of CIMPOR - - Cimentos de Portugal, SGPS, S.A., for their cooperation.

Lisbon, 18 April 2006

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

# Legal Certification of Accounts and Audit's Report

(Translation of a report originally issued in Portuguese)

## 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 2005, which comprise the balance sheet as of 31 December 2005, which reflects a total of 1,329,582 thousand Euros and shareholders' equity of 1,166,545 thousand Euros, including a net profit of 187,718 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 the Company's 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 2005 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 have been 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 mentioned in paragraph 1 above refer to the Company on an individual non-consolidated basis and were prepared for approval and publication in compliance with current legislation. As explained in Note 3.c) to the financial statements, the investments in subsidiary and associated companies are recorded in accordance with the equity method of accounting. The Company has prepared separate consolidated financial statements de in conformity with International Financial Reporting Standards endorsed by the European Union for separately publication.

7. The financial statements as of 31 December 2004, presented for comparative purposes, were examined by us and our report thereon, dated 8 April 2005, include one emphasis paragraph, not apllicable to the financial statements as of 31 December 2005.

Lisbon, 18 April 2006

DELOITTE & ASSOCIADOS, SROC S.A.

Represented by Carlos Pereira Freire

## Minutes of Meeting No. 33

On the fourth of May of the year two thousand and six at ten hours and thirty minutes, CIMPOR - Cimentos de Portugal, SGPS, S.A., a public limited company, tax number 500 722 900, with a share capital of six hundred and seventy-two million euros, registered at the Lisbon Companies Registry under number 731, held a General Meeting at the Culturgest Auditorium, in the head office building of Caixa Geral de Depósitos, at Rua Arco do Cego, Lisbon.

The meeting was chaired by Miguel António Monteiro Galvão Teles, the General Meeting Chairman, who was assisted by the Vice Chairman José António Cobra Ferreira and the Board Secretary Jorge Manuel da Costa Félix Oom.

The meeting was attended by the Board of Directors 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, Vicente Arias Mosquera, José Manuel Baptista Fino and José Enrique Freire Arteta.

The meeting was also attended by the members of the Audit Committee Ricardo José Minotti da Cruz Filipe (President), Carlos Manuel Pereira Freire, representing Deloitte & Associados, SROC, S.A., and the member José da Conceição da Silva Gaspar.

After having greeted all attending shareholders and the members of the Board of Directors and of the Audit Committee, Miguel António Monteiro Galvão Teles said that this meeting had been convoked within the legal and statutory regulations, that the convocation had been properly published and thus that it could be validly held for the respective purposes. Mr. Teles began the meeting and stated that it was being attended by shareholders holding 438,690,058 shares representing 65.28% of the share capital and 877,353 votes, according to the attendance list that will be archived at the company. The meeting participants included eleven shareholders with 1,550,834 shares, representing 0.23% of the share capital and 3,096 votes, who exercised their voting rights by correspondence for each of the agenda items and whose voting intentions will be disclosed during the respective voting. These shareholders are identified in the said attendance list.

Next, Miguel Galvão Teles reminded the attendants that the meeting convocation specified the following agenda items:

- "ITEM ONE: To decide on the management report, the balance sheet and the accounts for 2005;
- ITEM TWO: To decide on the consolidated management report, balance sheet and the consolidated accounts for 2005;
- ITEM THREE: To decide on the distribution of profits;
- ITEM FOUR: To make a general assessment of the company's management and auditing;
- ITEM FIVE: To decide on the sale of own shares to employees and members of the governing bodies of the company or of subsidiary companies, in accordance with the

Employee Stock Purchase Plan for 2006;

— ITEM SIX: To decide on the sale of own shares to the group's staff and members of the governing bodies of the company and of subsidiary companies according to the Stock Purchase and Option Plans.

— ITEM SEVEN: To decide on the acquisition and sale of own shares."

(...)

Next, Miguel Galvão Teles, after having obtained the General Meeting's agreement to discuss the first two items of the Agenda jointly, without loss to having each issue voted separately, called upon the Chairman of the Board of Directors to intervene, if he wished to do so.

(...)

Since no one else wished to speak, the documents indicated in item ONE of the Agenda were subject to a vote, without any votes against whilst shareholders with 3,128 votes abstained, including 3,094 votes by correspondence:

| Name | Votes |
|---|---|
| - BARCLAYS GLOBAL INVESTORS CANADA LIMITED | 30 |
| - EAFE EQUITY INDEX BARCLAYS GLOBAL INVESTORS | 26 |
| - INTERNACIONAL EQUITY INDEX FUND B BARCLAYS GLOBAL INVESTORS | 6 |
| - INTERNACIONAL EQUITY INDEX PLUS BARCLAYS GLOBAL INVESTORS | 28 |
| - ISHARES MSCI EAFE VALUE INDEX FUND | 33 |
| - ISHARES MSCI EMU INDEX BARCLAYS GLOBAL INVESTORS | 221 |
| - MSCI EQ INDEX FD B - PORTUGAL BARCLAYS GLOBAL INVESTORS | 1,748 |
| - MSCI EQ INDEX - PORTUGAL A BARCLAYS GLOBAL INVESTORS | 880 |
| - SP EURO PLUS INDEXFUND BARCLAYS GLOBAL INVESTORS | 112 |
| - STATE FARM VARIABLE PRODUCT TRUST INT.EQUIT INDEX BARCLAYS GLOB.INVEST | 10 |
| - JP MORGAN CHASE BANK AUSTRALIAN LENDING ACCOUNT | 2 |
| - MELLON BANK NA PROXI - PROXY SERVICES (GLOBAL CUSTODY DIV0260025) | 32 |

Consequently, and considering residual votes as votes in favour, the Chairman declared that the Management Report, the Balance Sheet and the Accounts for 2005 were unanimously approved by the cast votes, in a total of 874,225 votes, including 2 votes by correspondence.

Next, when the documents indicated in item TWO of the Agenda were subject to a vote, there were no votes against and the same shareholders who had abstained for the previous item also abstained, whereby the Chairman declared that the consolidated Management Report, the Balance Sheet and Consolidated Accounts for 2005 were also unanimously approved by the cast votes, in a total of 874,225 votes, including two votes by correspondence.

Next, item THREE of the Agenda was discussed, whereby Miguel Galvão Teles pointed out the Board of Directors' 2005 Profit Distribution proposal, which is specified in the Management Report of

Cimpor "Holding" and was already known by all shareholders in attendance. Consequently, by consent of the meeting participants, Mr. Teles read only the final part the said proposal, although the full respective content is transcribed below:

*" As indicated in the financial statements, the net profit for 2005, on an individual basis, reached 187,718,321.94 euros.*

*Therefore, in compliance with the parameters laid out by the Memorandum of Association, and according to the dividend distribution policy announced in the Management Report covering the consolidated activities of CIMPOR - Cimentos de Portugal, SGPS, S.A., the following distribution of net profits is proposed:*

- *9,400,000.00 euros, corresponding to 5% of the net profit for the year, to reinforce the Mandatory Reserve;*
- *maintaining the criteria of previous years, and as set forth in paragraph d) of no.1 of article 20 of the Articles of Association, 2,750,000.00 euros for paying bonuses to the directors and other collaborators who, at the end of December 2005, were in the service of CIMPOR - Cimentos de Portugal, SGPS, S.A.;*
- *127,680,000.00 euros to be paid to shareholders, corresponding to a dividend of 0.19 euros per share (5.6% higher than in the previous year);*
- *the remaining amount to be included in Retained Income.*

*In summary, and in reference to the various paragraphs of no. 1 of article 20 of the Articles of Association:*

| | **(euros)** |
|---|---|
| *Legal Reserve (paragraph c))* | *9,400,000.00* |
| *Remunerations and Bonuses (paragraph d))* | *2,750,000.00* |
| *Dividends (paragraph f))* | *127,680,000.00* |
| *Retained Earnings (paragraph g))* | *47,888,321.94* |
| ***Total*** | ***187,718,321.94*** |

Still regarding this Agenda item, the representative of the shareholder TEIXEIRA DUARTE - - ENGENHARIA E CONSTRUÇÕES, S.A., submitted the following proposal that was read by the Chairman:

*"The means of attributing the Remuneration and Bonuses, according to the Profit Distribution proposal, as specified in paragraph d), of no. 1 of article 20 of the Articles of Association, should be defined at the General Meeting.*

*Therefore, we propose that the Remuneration Committee determine the amount to be paid to the Board of Directors and the amount to be paid to each of its members.*

*It is also proposed that the remaining amount be assigned by the Board of Directors to the employees according to the expertise, productivity and merit that they have demonstrated during 2005."*

After brief statements by the shareholders Reinaldo Vasconcelos Gonçalves and Domingos José Luís de Sá and the immediate clarifications given to them, Manuel de Faria Blanc, in reply to a question about applying the dividends corresponding to the shares held by the company, proposed, in agreement with the Meeting Chairman, that the said amount be placed in Retained Income, and requested that this proposal be assessed by the General Meeting, with the following content:

*"That the amount of dividends paid to the company's own shares, on the payment date, be placed in retained earnings; consequently the value of the dividend paid for each share not held by the company is of € 0.19."*

Miguel Galvão Teles obtained the General Meeting's unanimous consent to simultaneously assess the two initial proposals and the complementary proposal now presented, seeing as they are interconnected and complementary. The said proposals were subject to a joint vote without any votes against or abstaining voters.

As such, the proposals submitted under this item were regarded as unanimously approved, an approval that included all the votes by correspondence, a result that was declared by the Chairman.

(...)

Therefore, and with nothing else to be determined, the Chairman, after having expressed his gratitude for the praise voiced by the shareholder Domingos José Luís de Sá for the manner in which the Meeting was held, declared the meeting closed and for which these minutes were drafted and shall be signed by the Meeting Chairman and the Company Secretary.

When the work terminated at thirteen hours, the meeting was still attended by shareholders holding 438,687,693 shares representing 65.28% of the share capital and 877,349 votes, which included 3,096 votes by correspondence.

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