Annual Report 2003

CIMPOR

CIMENTOS DE PORTUGAL
SGPS, S.A.

CONTENTS

Profile of the CIMPOR Group

CIMPOR is an international cement group operating in eight countries – ranked 10th worldwide, with an installed capacity of 22 million tons in December 2003. The group is the national leader in Portugal and Mozambique and a regional leader in Morocco (Rabat), Egypt (Alexandria) and South Africa (KwaZulu-Natal), and also holds the 2nd, 3rd and 5th positions in Tunisia, Brazil and Spain, respectively.

Cement is the Group's core business. Concrete, Aggregates and Mortars are produced and marketed in a vertical business integration process, consolidated turnover amounting to 1,360.9 million euros in 2003.

STRATEGIC VISION

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

VALUES

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

— Clients – Focus on full satisfaction of clients' expectations in accordance with the ethical principles of integrity and fairness.

— Personnel – Fair remuneration for work performed, creation of professional advancement conditions and fairness of treatment.

— Organisation – Constant search for Excellence through the establishment of ambitious goals and selection of leaders at all levels with the ability to assume responsibility and meet targets.

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

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

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

STRATEGY

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

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

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

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

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Key Financials

CONSOLIDATED DATA

	Unit	2003	2002	Var.	2001
Cement Production Capacity (1)	10^3 ton	22,040	21,160	4.2 %	18,970
Group Sales					
Cement	10^3 ton	18,287	16,464	11.1 %	16,604
Concrete	10^3 m^3	6,068	5,989	1.3 %	5,974
Aggregates	10^3 ton	12,191	12,883	-5.4 %	13,885
Mortar	10^3 ton	438	418	4.8 %	379
Turnover	10^6 euros	1,360.9	1,317.2	3.3 %	1,385.7
Payroll Expenses	10^6 euros	153.0	152.2	0.5 %	149.9
Operating Cash Flow (EBITDA)	10^6 euros	512.5	511.4	0.2 %	504.8
Operating Income (EBIT)	10^6 euros	289.0	283.8	1.8 %	269.8
Financial Charges (net)	10^6 euros	35.5	23.3	52.2 %	56.3
Current Income	10^6 euros	253.4	260.5	-2.7 %	213.6
Net Income after Minority Interests	10^6 euros	185.9	176.6	5.3 %	137.8
Total Assets	10^6 euros	3,089.2	3,337.9	-7.5 %	2,929.1
Shareholder's Funds	10^6 euros	960.6	949.6	1.2 %	1,091.1
Minority Interests	10^6 euros	78.3	88.5	-11.4 %	111.5
Net Financial Debt (2)	10^6 euros	1,238.5	1,148.9	7.8 %	1,057.3
Capital Employed (3)	10^6 euros	2,571.3	2,465.5	4.3 %	2,442.5
Employees (31 Dec.)	units	5,785	6,061	-4.6 %	5,974
Turnover / Employee	10^3 euros	227.8	224.2	1.6 %	207.3
Value Added / Employee	10^3 euros	111.4	113.0	-1.4 %	98.0
Net Investment					
Goodwill	10^6 euros	5.7	303.4	-98.1 %	8.4
Tangible Fixed Assets	10^6 euros	148.2	401.2	-63.1 %	202.8
Operating CF / Turnover (EBITDA Margin)		37.7%	38.8%		36.4%
Operating Income / Turnover (EBIT Margin)		21.2%	21.5%		19.5%
Return on Equity (RoE)		19.5%	17.3%		12.4%
Return on Capital Employed (RoCE) (4)		10.0%	10.1%		9.9%
Net Financial Debt / Capital Employed		48.2%	46.6%		43.3%
Operating Income / Financial Charges (net)		8.1	12.2		4.8
Market Capitalisation (31 Dec.)	10^6 euros	2,755	2,150	28.1 %	2,648
Income per Share (5)	euros	0.27	0.25	10.1 %	0.21
Quotation (31 Dec.) / Price Earnings Ratio (PER)		15.0	12.9		18.5

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

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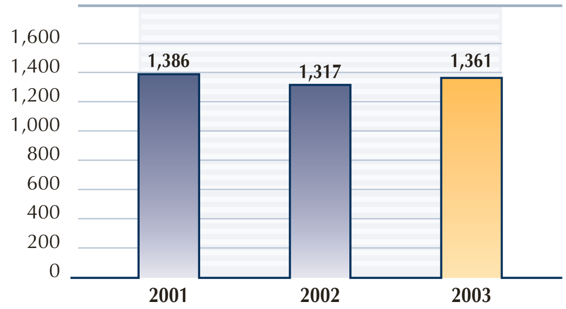
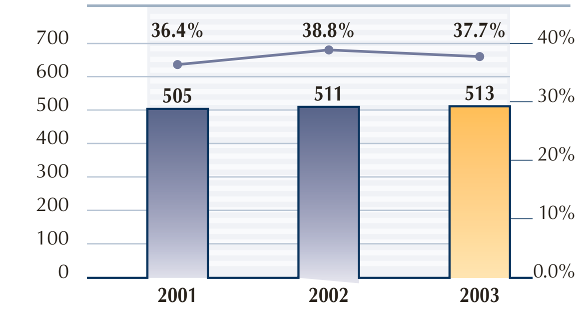
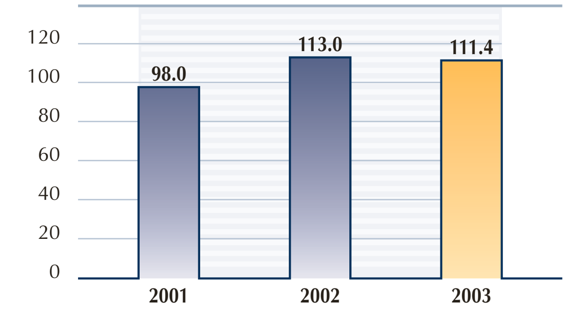
Turnover 10^6 euros



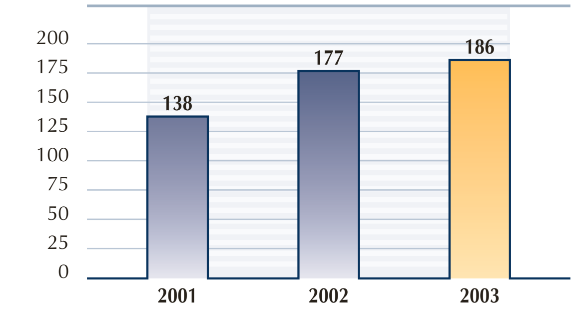
10^6 euros EBITDA / EBITDA Margin



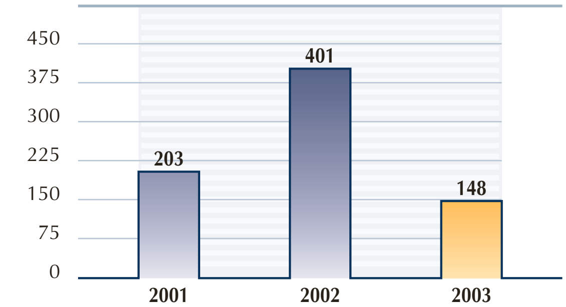
Value Added / Employee 10^3 euros



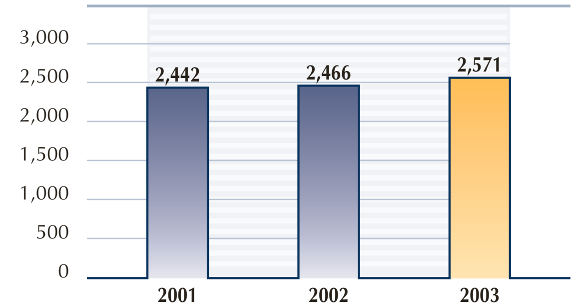
Net Income after Minority Interests 10^6 euros



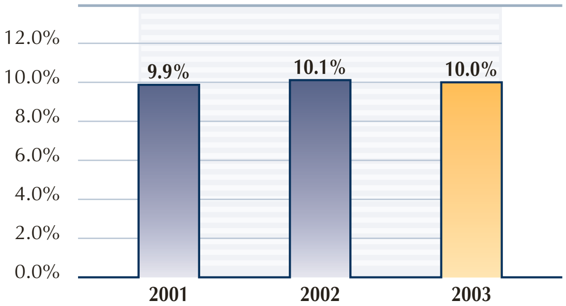
Net Investment (Technical Assets) 10^6 euros



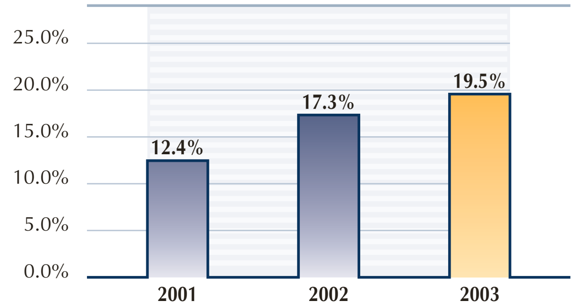
Capital Employed 10^6 euros



Return on Capital Employed (RoCE)



Return on Equity (RoE)



Corporate Highlights in 2003

- Contracted two major financing operations totalling 645 million euros, to pay part of the debt falling due and to extend the respective maturity dates.
- Subscribed for 58% of the share capital of the Nigerian company "Socomi International CFTZ" that imports, exports, commercialises, grinds and bags cement. The cost of the participation was approximately 1 million euros.
- Founded a Shared Services Company called Cimpor – Serviços de Apoio à Gestão de Empresas, S.A., with share capital of 50,000 euros, fully owned by the CIMPOR Group. The company will render management, consultancy and advisory services to all the Group companies (particularly those headquartered in Portugal), in the administrative, financial and human resources areas and for occupational safety, hygiene and health, purchasing, information systems, organisation, planning and control, space management and building maintenance.

Portugal

- Ecoresíduos – Centro de Tratamento e Valorização de Resíduos, Lda., increased its participation in Scoreco – Valorização de Resíduos, Lda. to 100%.
- Cimpor Betão, SGPS, S.A., increased its participation in Joferbetão, Lda., to 100% and then Joferbetão, Lda. was merged into Cimpor Betão, SGPS, S.A..
- Jomatel – Empresa de Materiais de Construção, S.A., increased its participation in Fenop – Betão Pronto, S.A. to 100% and then Fenop – Betão Pronto, S.A. was merged into Jomatel – Empresa de Materiais de Construção, S.A..
- Betourém – Indústria e Comércio de Betão, Lda., was merged into Betabeiras – Betões da Beira, S.A..
- Cimpor Betão, SGPS, S.A., sold its 50% participation in Betanteros – Sociedade de Fabrico e Comercialização de Betões, S.A..
- Sopab – Sociedade de Exploração de Areias e Britas, Lda, was dissolved.
- Cecisa – Comércio Internacional, S.A., acquired a 20% participation in Cecime – Cimentos, S.A., and signed an option contract to purchase of the remaining 80% of that company's capital, which is subject to authorisation by the Competition Authorities.
- Cecisa – Comércio Internacional, S.A., sold approximately 10.1% of the share capital of Nuno Mesquita Pires, SGPS, S.A., and acquired several assets in the port of Viana do Castelo.
- Mossines – Cimento de Sines, S.A., was founded with share capital of 5 million euros, fully owned by the CIMPOR Group.
- Cimpor – Indústria de Cimentos, S.A., acquired a 48% participation in C+PA – Cimento e Produtos Associados, S.A..
- Cimpor – Indústria de Cimentos, S.A., obtained environmental management and quality certificates for its three plants (Souselas, Alhandra and Loulé) in accordance with the ISO 14001 and ISO 9001 (2000) standards, respectively.

Spain

- Corporación Noroeste de Hormigones y Aridos, S.L., increased its 70.1% participation in Hormigones Mariña, S.L., to 86.6%, as the result of an operation to simultaneously decrease and increase that company's share capital.

Corporate Highlights in 2003

— The company Morteros de Galicia, S.L., was founded and began to build a plant to produce dry and levelling mortar in the industrial park of Sergude, Boqueixón.

— Hormigones Hércules, S.L., acquired a quarry and seven ready-mix concrete plants in the region of Andalusia.

— Corporación Noroeste, S.A., increased its 20.1% participation in Cementos Antequera, S.A., to 21.3% following an increase in that company's share capital and the acquisition of an additional lot of shares in the company.

— All the share capital of Cementos de Andalucia, S.L, was acquired.

— Prebetong Noroeste de Canteras, S.L., was founded with share capital of 4.3 million euros, fully paid up in kind by Hormigones Miño, S.L., through the transfer part of its assets (quarries).

Morocco

— A new shale quarry was opened and an agreement was entered into to operate a new rich limestone quarry.

— One of the cement grinding units was modified to increase its capacity to 115 ton/h, a new 120 ton/h rotary packer began operating and construction of a new clinker silo with a capacity for 30,000 tons was started.

— The Asment de Témara plant's quality assurance system was changed to the ISO 9001 (2000) standard.

Tunisia

— Ciments de Jbel Oust increased its capital from TND 55,205,600 to TND 64,050,600.

— Work began to assemble a new coal mill and to build a bag palletising system.

— Confirmation that the Jbel Oust plant was certified in accordance with the ISO 9001 (2000) standard.

— The maintenance module started operating and installation of the production module of the new computer system (J.D. Edwards) was started.

Egypt

— The Amreyah Cimpor Cement Company continued to assemble its production line, production having started in February 2004.

— Conclusion of the investment in infrastructures for the supply of natural gas and signing of the respective supply contract that is valid for 25 years.

— The Cement Services Company, S.A.E. was founded with share capital of EGP 250,000, fully owned by Group companies. The company will perform studies and render services of a technical, financial, economic, commercial and administrative nature.

— Work continued to downsize and optimise staff by signing outsourcing contracts for civil construction, cleaning, maintenance, bagging, distribution, security, transport and cafeteria.

— Work began to install new management software (SAP).

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Brazil

— The Campo Formoso line, which has clinker production capacity of 2,000 tons/day, began operating.

— The quality certificates of all cement plants were updated to the ISO 9001 (2000) standard.

— Confirmation that the Cimepar plant received its environmental management certification in accordance with the ISO 14001 standard, and work began to obtain the OHSAS 18001 (Occupational Safety and Health Management System) and Total Quality System certifications.

— A request was submitted to the Stock Exchange Commission to register a Public Share Purchase Offer for the shares of Companhia de Cimentos do Brasil (CCB) still in circulation and then to cancel the company's registration as a listed company.

Mozambique

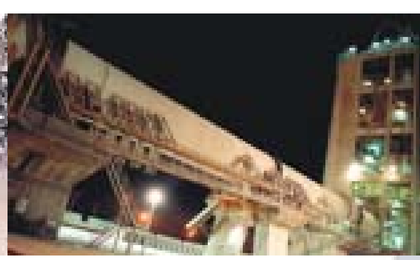
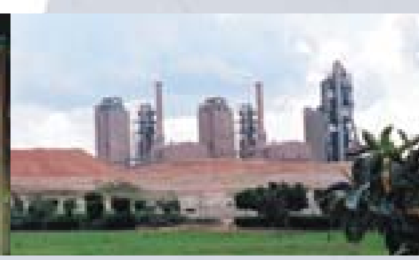
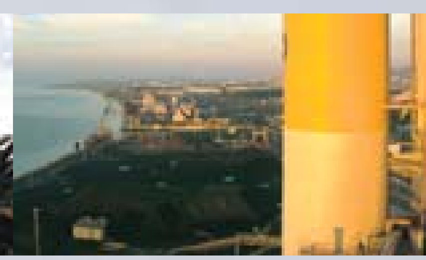
— Cimentos de Moçambique, S.A.R.L., increased its capital from 680,000 million meticais to 1,000,000 million meticais, after which the CIMPOR Group became holder 65.4% of the company's capital.

— Another major area of limestone reserves was acquired.

South Africa

— Natal Portland Cement (NPC) acquired the Group's participation in Cimentos de Moçambique.

— NPC's the three production units obtained their quality certifications under the ISO 9001 (2000) standard.

Governing Bodies

Board of Directors

Chairman

Ricardo Manuel Simões Bayão Horta

Members

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

* *Executive Committee*
** *Elected at the Shareholders' General Meeting of 31 July 2003 but still impeded from performing his duties*

Audit Committee

Chairman

Ricardo José Minotti da Cruz Filipe

Members

José Conceição Silva Gaspar
Freire, Loureiro & Associados – SROC (firm of accountants) represented by Carlos Manuel Pereira Freire

Alternate Member

José Martins Rovisco

Alternate Auditor

António Marques Dias

Shareholders' General Meeting

Board of the Shareholders' General Meeting

Chairman

Miguel António Monteiro Galvão Teles

Deputy Chairman

José António Cobra Ferreira

Company Secretary

Jorge Manuel da Costa Félix Oom

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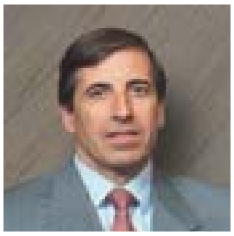
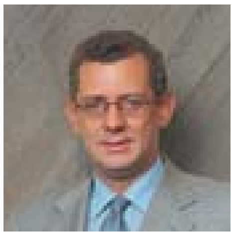
Executive Committee

Pedro Maria Calaínho Teixeira Duarte
(Chairman)

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

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CONSOLIDATED REPORT & ACCOUNTS FOR 2003 (CIMPOR GROUP)

REPORT AND ACCOUNTS FOR 2003 (HOLDING COMPANY)

CIMPOR

Consolidated Annual Report

I. Corporate Governance

Following the major international initiatives – including approval of the European Commission Recommendation on the Independence of Auditors and the European Commission Action Plan on Corporate Rights – the Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM) has applied, to national companies quoted on the stock market, through its Regulation no. 11/2003, a number of new requirements to inform, having for the purpose altered Regulation no. 7/2001.

To complement these provisions – and to adapt these in-depth international corporate governance changes to the Portuguese context – CMVM updated its recommendations covering the system of rules and conduct applicable to the management and control of companies whose shares are traded on the official stock market.

Suitable treatment of these issues, and the periodic disclosure to the market of positions and solutions for the said management and control, have long been an essential concern of CIMPOR – Cimentos de Portugal, SGPS, S.A. (abbreviated to CIMPOR). CIMPOR is particularly pleased that some of its past positions are now expressly endorsed by CMVM (e.g. not regarding directors of competitor companies as independent or the recommendation to create corporate governance evaluation committees, of which CIMPOR was a pioneer). Some other earlier recommendations with which CIMPOR disagreed have now been discarded (e.g. that, where executive committees exist, they should reflect proportionally the board's full composition).

In view of the aforementioned concerns, and as in previous years, in this chapter of its annual Directors' Report the Board of Directors outlines the more important aspects regarding Governance of the Company and of the Group, thereby complying with the duty of informing set forth in Regulation 11/2003

0. Declaration of Compliance

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

As regards the recommendation (no. 2) that there should be no restrictions on the active use of voting rights, the imposition that the period for depositing or blocking shares in advance should not exceed 5 business days in order for their holder to participate in the respective shareholders' general meeting will be met on the date on which this report is approved. This approval presupposes that the annual general meeting deliberating on this matter will also approve the alteration to the articles of association as submitted by the Board of Directors for that purpose (since the current no. 3 of article 7 of the articles of association specifies a different period).

As indicated above, only recommendation no. 8 was not fully met. Although it was fully met as regards the structure of the remuneration of the board members, so as to be in line with the company's interests, it was not followed in full in the final part (as regards disclosure of the individual remuneration of the board members).

The decision not to disclose the remuneration of the individual board members was based, first of all, on the understanding that the shareholders, by opting, under the terms of no. 1 of article 339 of the Companies Code and no. 2 of article 16 of the articles of association, to appoint a commission to fix the remuneration of the board members as an alternative to it being fixed by the shareholders' general meeting, did this with an objective, which, due to its somewhat confidential nature, is incompatible with public disclosure of the individual remuneration of the board members. Moreover, since this is a matter over which the shareholders are sovereign, according to Portuguese law, they may always decide on the contrary if they should regard the disclosed information as insufficient under the terms of no. 5 of chapter IV of the Annex to CMVM Regulation no. 7/2001.

In fact, as was expressly stated by CMVM, the vast majority of entities consulted publicly in this respect indicated their opposition to the recommendation in question

1. Disclosure of Information

1.1. Organisation Structure

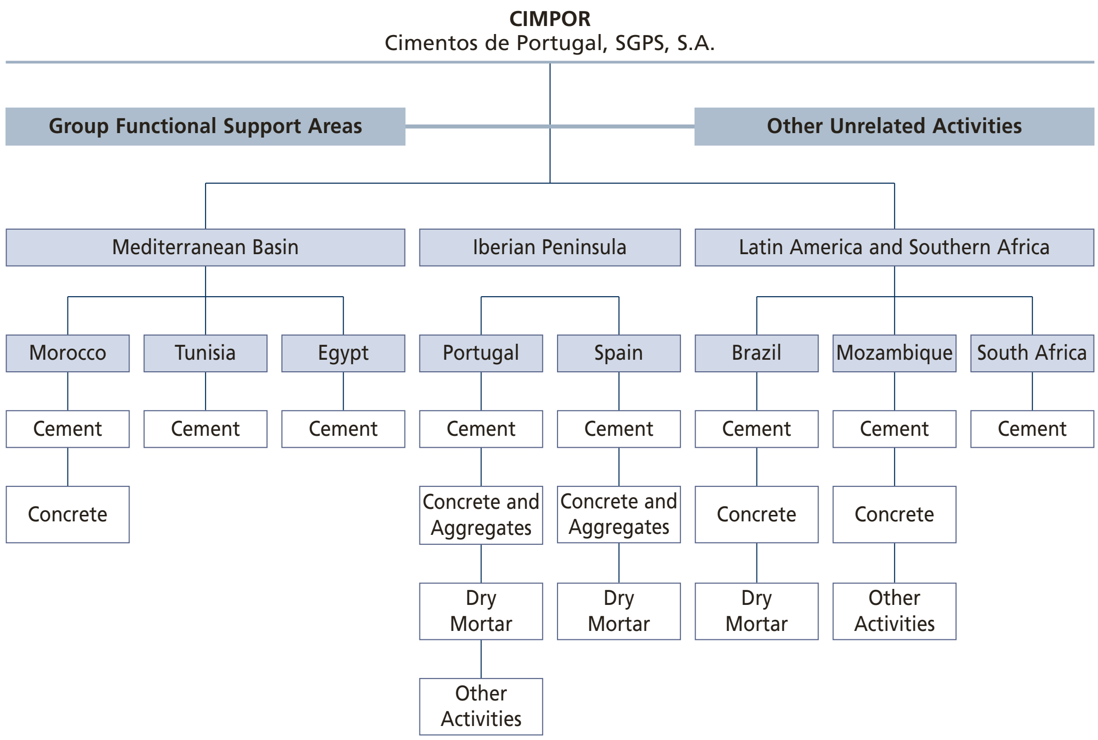
1.1.1. CIMPOR Group

The CIMPOR Group is structured into Business Areas corresponding to the various countries where it operates. The Group operates in three main regions: (i) The Iberian Peninsula; (ii) The Mediterranean Basin; and (iii) Latin America and Southern Africa. Within each Business Area, the various activities are organised by product line, and its core business is the production and sale of cement.

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

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

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

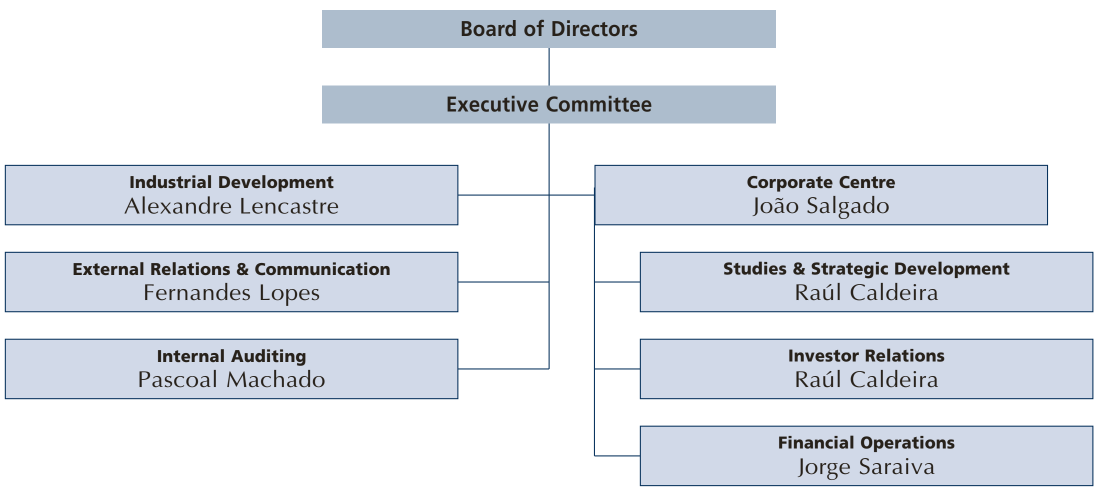


Each Business Area operates according to the principles of autonomous management, particularly regarding day-to-day and operational management, within the framework of a planning and control system headed by the holding company. This framework ensures a participative and interactive establishment of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

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

1.1.2. **CIMPOR Holding**

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



The Corporate Centre was created in 2002 and performs the following essential tasks: (i) through the *Studies and Strategic Development Department*, contributes to the Group's development strategy, dealing with procedures involving the acquisition of companies and analysing and assessing investments; (ii) through the *Investor Relations Office*, ensures regular communication with the various capital market players, particularly shareholders, supervisory and other authorities, financial analysts and fund managers and other collective investment entities; and (iii), within the scope of *Financial Operations Area*, provides access, under the best conditions, to the financial resources required for the Group's growth and for its day-to-day operation.

The *Technical and Industrial Development Centre* renders technical and technological assistance to the Group's various production facilities with a view to optimising their performance in compliance with environmental protection. In the cement field in particular, it is also responsible for preparing the annual and multi-year investment programs, in cooperation with other entities directly involved, and for providing support to their implementation.

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

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

In 2003, the holding company also included the following: the Legal Department and the so-called Central Consolidation and Planning Department and Information Systems Department. The latter were integrated into a recently founded company in early 2004 (see the following point), whereas the former was dissolved and the respective services were outsourced.

1.1.3. Shared Services

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

During recent years, various initiatives were taken for that purpose:

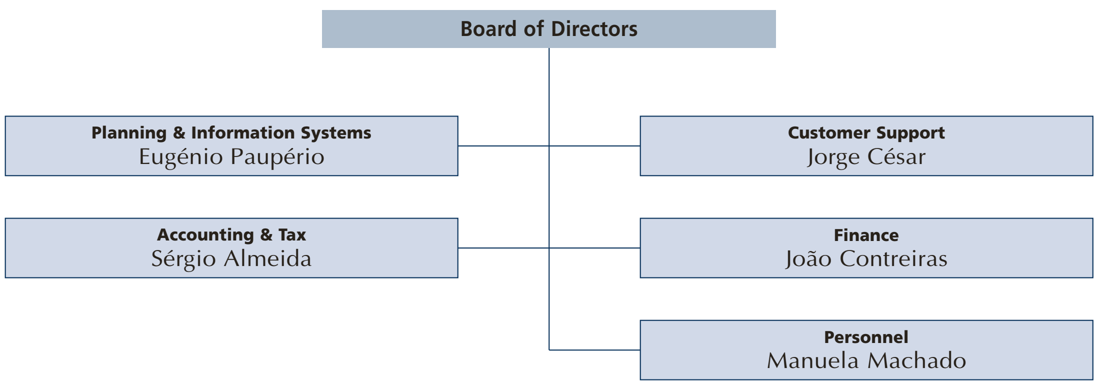
- The installation of management software (SAP) based on a platform common to the Group's main companies;
- The execution of a governance model based on the sharing of corporate decisions and processes;
- The total or partial centralisation, among others, of treasury management processes, debt management, accounting consolidation, property management and maintenance, planning and control, insurance management, internal auditing and research and development.

In 2003, based on the conclusions of work carried out by external consultants, the Board of Directors decided, in addition to maintaining this policy of integrating competencies and centralising support functions, to place some of these functions within a business model of the "Shared Services" type. The policy essentially has the following goals:

- Tailor those functions to the specific and real needs of operational areas, by giving them a front office logic and, consequently, a customer-oriented policy (the Group's companies);
- Improve the quality of outputs resulting from the activities in question, whilst increasing control over them;
- Standardise and optimise processes based on a more productive utilisation of supporting computer applications, apply best practices and eliminate redundant tasks;
- Increase the efficiency of those activities by reducing the underlying costs.

Therefore, at the end of the year, *CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A.*, was founded to render management, consultancy and advisory services in administrative and financial areas and also in human resources, safety, occupational hygiene and health, procurement, information systems, organisation, planning and control, management of spaces and building maintenance.

At the start of 2004, a number of functions/processes were transferred to the new company that, having been found eligible for integration in the Shared Services Centre, had been dispersed among the Group's holding company, the sub-holding company CIMPOR Portugal and the operating companies themselves. The following diagram illustrates the company's initial organisation.



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

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

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

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

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

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

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

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

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

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

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

1.3. Risk Control System

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

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

The directors' report includes a chapter detailing the financial and asset risk management policies followed, in the case of the holding company, by the Corporate Centre (see point II.6.2.). The Group's policy on more general risks, of an economic nature and not subject to specific coverage, calls for geographically diversifying its expansion investments to create a balance between CIMPOR's operations in developed and emerging markets and to make it possible to have business operations in various growth stages and with distinct price levels. As such, potential acquisitions are determined to achieve a balanced and geographically diversified portfolio of businesses, and the assets to be acquired are valued individually by including risk premiums, appropriate to the situation in each country, as laid out by international rating agencies.

1.4. CIMPOR Shares on the Stock Market

1.4.1. Stock Market Performance of the Shares

After three successive years of losses, the Lisbon Euronext PSI20 Index increased 15.8% in 2003, surpassing even the Euronext 100 index and marking the start of what is believed to be a period of strong recovery in most capital markets. Although most shares still fell during the first quarter, as from March the market took an upward trend instigated by some signs of an economic recovery.

Characteristics of CIMPOR Securities

Name	**CIMPOR – Cimentos de Portugal, SGPS, S.A.**
Share trading	Lisbon Euronext
Futures trading	Lisbon Euronext
Codes	LISBON TRADING: CPR REUTERS: CMPR.IN BLOOMBERG: CIMP PL
Number of shares	Total – 672.000.000 Listed – 604.472.490
Par value of shares	**1 euro**

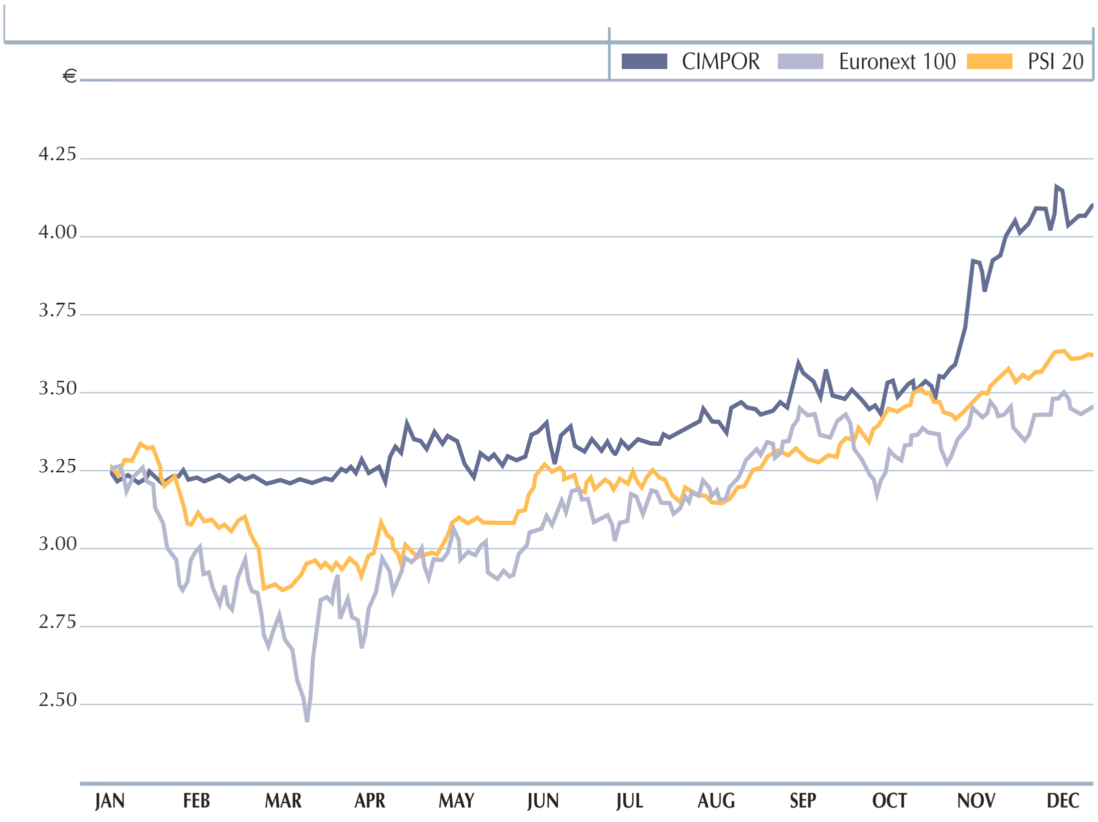
CIMPOR shares performed very well during the year, clearly outperforming the market average: oscillating from a low of 3.19 euros, on 2 April, and a high of 4.17 euros, on 2

December. CIMPOR shares closed the year at 4.10 euros, a 28.1% gain compared to the end of 2002 (considering the stock split on 11 April 2003).

As for liquidity, although shares traded increased around 7% compared to 2002, the total value traded on the Lisbon Euronext decreased around 12%.

Despite the operation to decrease the par value of the shares – from five euros to one euro – as decided at the Extraordinary General Meeting held on 31 January 2003, as a result of which CIMPOR's share capital was made up of 672,000,000 shares, the respective trading volume on Lisbon Euronext fell sharply: only about 68 million shares were traded, at a total price of 238 million euros (plummeting 65% in relation to the previous year). Nevertheless, CIMPOR shares are still among the most heavily traded on that stock market, and are ranked 10^{th} (7^{th} among non-financial companies).

Performance of CIMPOR Shares



CIMPOR was included in the Euronext 100 Index in February 2002. However, because of its lower liquidity, it was excluded from the said index in August 2003, when a review was made of the index due to its Trade Velocity Ratio (shares traded / shares listed) that had fallen below the required minimum of 20%.

On 12 June, 2003, dividends were paid for the previous year. The gross dividend paid of 0.16 euros per share (0.14 euros net for shareholders residing in Portugal and 0.132 euros net for non-resident investors) represents a 14.3% increase over the dividend paid in 2002, and corresponds to gross income per share of around 4.7%. Considering the appreciation of the shares and the total dividends distributed since having been listed, the average annual return on CIMPOR shares amounted to 14.8% up to the end of 2003.

CORPORATE HIGHLIGHTS IN 2003

- **31 January** – Extraordinary General Meeting to alter the Articles of Association.
- **13 February** – CIMPOR – Cimentos de Portugal, SGPS, S.A., sold 185,000 shares of own shares to the Pension Fund of CIMPOR – Indústria de Cimentos, S.A., for 16.15 euros per share (taking the stock split into account, the transaction corresponds to 925,000 shares at 3.23 euros each).
- **24 March** – Publication of the results for 2002.
- **11 April** – Stock split of the shares of CIMPOR – Cimentos de Portugal, SGPS, S.A. (change of their par value from five euros to one euro, by which the 134,400,000 shares were transformed into 672,000,000 shares).
- **29 April** – Publication of the results for the 1st quarter.
- **14 May** – Annual General Meeting.
- **12 June** – Dividend payment.
- **9 July** – A promissory asset sales contract was signed with Hormigones Hércules, S.L. (one quarry and seven ready-mix concrete plants) in the Spanish region of Andalusia.
- **31 July** – Extraordinary General Meeting.
- **6 August** – The acquisition by Hormigones Hércules, S.L. of the said assets in the Andalusia region was formalised.
- **22 September** – Publication of the results for the 1st half year.
- **29 October** – Publication of the results for the 3rd quarter.
- **7 November** – Announcement of the mergers of Betourém – Indústria e Comércio de Betão, Lda., into Betabeiras – Betões da Beira, S.A., and Joferbetão, Lda., into Cimpor Betão, SGPS, S.A..

In an effort to continuously improve its relations with investors, CIMPOR remained committed to maintaining a close link with all the market players by always disclosing, in a clear, precise, objective and transparent manner, all relevant information about the Company and its performance.

Through this ongoing concern to comply with the best Corporate Practices, in 2003, for the third year running, CIMPOR was awarded the Best Annual Report prize for non-financial companies awarded by Deloitte & Touche, in partnership with the Semanário Económico newspaper.

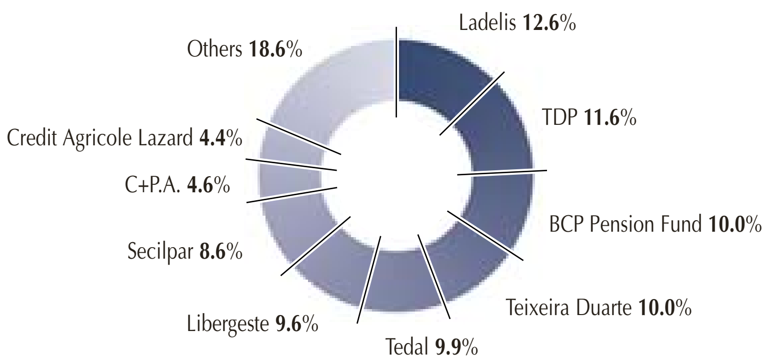
	2003	2002	2001
As at December 31:			
Share Capital(10^3 euros)	672,000	672,000	672,000
Number of Shares	672,000,000	134,400,000	134,400,000
Price (euros) (1)	4.10	16.00	19.70
Market Capitalisation (10^3 euros)	2,755,200	2,150,400	2,647,680
Gross dividend (euros) (1) (2)	0.17	0.80	0.70
Dividend Yield (3)	4.15%	5.00%	3.55%
Net Income Net of Minority Interests (10^3 euros)	185,883	176,563	137,829
Payout Ratio	61.5%	60.9%	68.3%
Current Income Net of Taxes (10^3 euros)	189,090	170,336	143,300
Payout Ratio	60.4%	63.1%	65.7%
Transactions			
By Volume (1,000 shares) (1)	67,724	34,611	28,205
By Value (10^6 euros)	238	686	731
Market Share	1.3%	3.2%	2.4%
Annual Evolution			
Euronext 100	+ 12.7%	- 32.5%	- 19.7%
PSI 20	+ 15.8%	- 17.6%	- 24.7%
CIMPOR Shares	+ 28.1%	- 18.8%	- 25.9%

(1) In 2001 and 2002: shares with a par value of five euros; in 2003: shares with a par value of one euro.
(2) In 2003: according to the proposal submitted at the Annual General Meeting.
(3) In terms of the price at the end of the year.

1.4.2. Shareholder Structure

Breakdown of the Shareholder Structure

Shareholdings as notified to the company by 2 January 2004



1.4.3. Own Shares

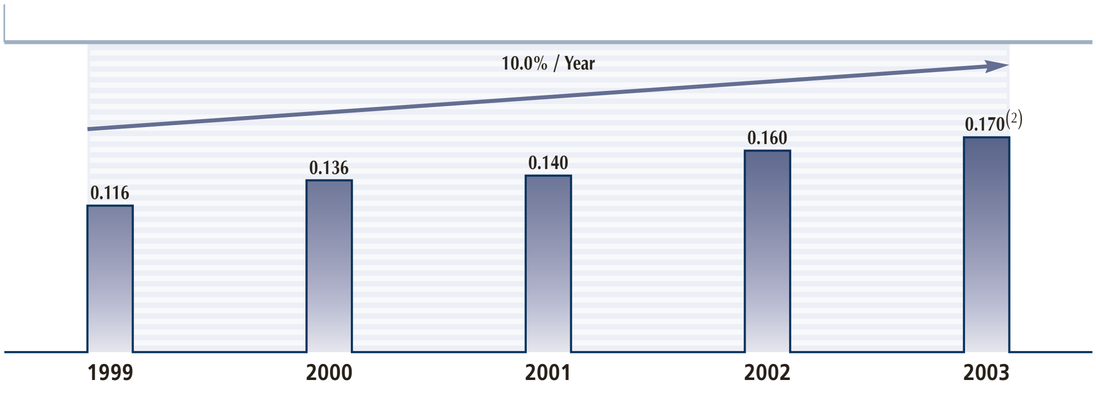
CIMPOR began the year with 1,196,911 shares of own shares with a par value of five euros each. During the year it sold 1,361,920 shares with a par value of one euro: 925,000 to the Pension Fund of CIMPOR – Indústria de Cimentos, S.A., for 3.23 euros each, and the other 436,920 to Group personnel, at an average price of 2.94 euros each, under the stock option plans laid out in point 1.6. below. On the other hand, and as stated in the said point, CIMPOR repurchased 241,410 shares from various staff members at an average price of 3.61 euros which, combined with 476,520 shares purchased in the normal course of managing its portfolio, at an average price of 3.21 euros, amounted to a total of 717,930 shares purchased in 2003.

At the end of the year CIMPOR had 5,340,565 shares of own shares representing 0.79% of its share capital.

1.5. Dividend Distribution Policy

The Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, S.A., intends to maintain a dividend distribution policy that takes into account (a) the desirable stability of the payout ratio; (b) the competitiveness of the dividend yield within the Portuguese market and the international cement industry; and (c) the Group's future investment prospects, viewed in light of the need for financing out of shareholders' equity and the cash-flow generating capacity of the various businesses.

Gross Dividend / Share (euros) (1)



(1) Adjusted .

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

The proposed appropriation of profits set out in the directors' report on the non consolidated operations of CIMPOR meets the aforementioned policy guidelines. The

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proposed dividend of 0.17 euros per share corresponds to about 62.8% of the current income net of income tax (after minority interests) and 61.5% of the Group's net income.

1.6. Stock Purchase and Option Plans

Under the Group's employee remuneration and incentives policy, and to ensure greater correlation between their interests and the objectives of creating shareholder value, the Annual General meeting of CIMPOR – Cimentos de Portugal, SGPS, S.A., held in May 2002, approved the sale of own shares under an *Employee Stock Acquisition Plan* established by the Board of Directors for the year 2002 and under a *Stock Option Plan for the Group's Directors and Management* (regulated by the Remuneration Committee).

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

EMPLOYEE STOCK PURCHASE PLAN FOR 2002

As stated in the preceding year's report, 332 employees participated in the first of the said plans – for all employees of Group companies headquartered in Portugal, including the members of their respective governance bodies -, having on May 17 2002 purchased a total of 28,555 shares for 17.5 euros each, (shares at the former par value of five euros each).

At the start of 2003, employees who participated in this plan were also given the possibility of:

a) reselling part or all of the said shares at the same price (17.5 euros); and/or

a) purchasing more shares at 14.5 euros that, added to the shares that they may already have opted to sell, could not exceed either the number of shares bought in 2002 under the plan in question or the number of shares held by them at the end of the year.

Combined with the option to sell their shares at 17.5 euros each, these employees were later also given the option to purchase, for 16.00 euros per share (a price similar to the market price at that time), a number of shares equal to or less than double the shares purchased in 2002 and held by them at the end of the year.

Of the total employees covered: 234 sold a total of 21,910 shares on 6 March 2003 at the price of 17.5 euros per share; 3 purchased 105 shares at 14.50 euros each on 26 March; and lastly, 154 employees purchased a total of 27,647 shares at 16.00 euros each on 10 April.

CIMPOR STOCK OPTION PLAN FOR THE GROUP'S DIRECTORS AND MANAGEMENT PERSONNEL – 2002 SERIES

For the same reasons – essentially the fact that CIMPOR shares did not reflect the Group's good overall performance – the Remuneration Committee also decided that all the directors and management personnel who had purchased shares in 2002 under the aforementioned Stock Option Plan, be given the opportunity to sell the shares at the purchase price (18.50 euros), whilst giving up their right to stock options in 2003, 2004 and 2005.

This opportunity was accepted by 82 of the Group's 98 eligible directors and management personnel. On 24 March, the Group bought back 26,372 shares of own shares at 18.50 euros each, and cancelled 79,116 share purchase options relating to the years 2003 and 2005.

EMPLOYEE STOCK PURCHASE PLAN FOR 2003 AND CIMPOR STOCK OPTION PLAN FOR THE GROUP'S DIRECTORS AND MANAGEMENT PERSONNEL – SERIES 2003

The plan to give the Group's employees an opportunity to make a favourable investment that combines their interests with the long-term goals of the company and shareholders was not, however, discarded. Therefore, under a proposal by the Board of Directors, the Annual General Meeting of CIMPOR, held on 14 May 2003, again approved the sale of own shares under a new *CIMPOR Employee Stock Purchase Plan* and the "2003 Series" of the *CIMPOR Stock Option Plan for Directors and Management Personnel*, regulated in 2002 by the Remuneration Committee.

As with the previous plan, this approval by the Shareholders' General Meeting also expressly justified the plans, the decision also including a summary of the essential characteristics of the approved plans. These characteristics include, among others, conditions for granting the options, criteria for determining share prices or for exercising the options, laid out in relation to stock market prices at specific times, the periods during which the options may be exercised and assigned competence to the management body to execute or modify the plan.

The *Employee Stock Option Plan* (2003) – for directors and management personnel and for all employees with binding stable labour relations with Group companies headquartered in Portugal and Spain – consisted of granting each beneficiary – as decided by the Remuneration Committee with regard to directors of the holding company, and by the Board of Directors in other cases – the right to acquire, at a price corresponding to 85% of the closing price on the transaction day (rounded off to the highest number), a given number of CIMPOR shares of own shares in keeping with the following rule:

$$\text{Maximum number of shares to be acquired} = \frac{\text{Basic gross monthly remuneration / 2}}{\text{85\% of the closing market price on the transaction day}}$$

Rounded, by default, to the nearest multiple of five or of ten shares, depending on whether application of the said formula results in a number smaller or greater than 100, respectively.

Of a total of 2,390 personnel eligible under the said rule to acquire CIMPOR shares, during the period for such option (in Portugal from 22 April to 10 May and in Spain from 28 May to 10 June), 210 employees (164 in Portugal and 46 in Spain) did so. These employees acquired the following shares (of the new par value of one euro):

Date	Unit Price	No. of Shares
May 16	2.78 euros	85,360
June 18	2.82 euros	18,490

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

As indicated in the 2002 Report and in the decision of the Shareholders' General Meeting held on 14 May, 2003, the Plan's main characteristics are as follows:

- Every year each beneficiary is granted the right to acquire a certain number of CIMPOR shares (initial options) at a price determined by the Remuneration Committee (within thirty days of the Annual General Meeting that approves the accounts), the price not being less than eighty-five percent of the average closing price of the sixty stock market sessions immediately prior to that date;
- For each initial option actually exercised, the beneficiary is granted the right to acquire one new share at the same unit price in each of the following three years (derived options); the shares acquired through exercising the initial option and those corresponding to the derived option constitute a series;
- The number of initial options awarded to each beneficiary is determined by the Remuneration Committee in the case of members of the Board of Directors of the holding company, and by the latter (or by the Executive Committee) in the other cases;
- The number of derived options to be exercised each year by each beneficiary cannot,

taken together, exceed the number of shares held by the beneficiary on 28 February of the year in question, regardless of whether or not they were acquired under the Plan;

— The period during which the initial options can be exercised is determined by the Board of Directors (or Executive Committee) of the holding company; the derived options are exercised during March of each year;

— Shares acquired in this manner are not subject to any clause restricting the holder's right to sell them, contrary to the options which cannot be transferred in a business transaction between living persons (should the beneficiary die, only the right to be freed from the respective options are transferred to the heirs, which means the right to receive the amount comprising the difference between the price of exercising the right over the shares and their market price on the date of death);

— The plan and its regulations may be revoked or altered at any time, by decision of the Board of Directors (or Executive Committee) of the holding company, or by decision of the Remuneration Committee (within the scope of its specific responsibilities in this matter), without prejudice to maintenance of the options already allocated.

In 2003 a total of 261,000 initial options, to be exercised during the period between 7 July and 31 July, were granted under this Plan to 211 directors and employees of the Group. Of these, 131 exercised their option rights in full or in part at a unit price of 2.84 euros, totalling 194,310 shares (of the new nominal price of one euro). Therefore, from 2004 to 2006, inclusive, a maximum of 582,930 derived options may be exercised at that price in respect to this series.

OPTIONS GRANTED, THAT MAY BE EXERCISED AND EXTINGUISHED

In relation to the Series 2002 options, all the derived options that could be exercised in 2003 were either not exercised or, as mentioned, the respective holders renounced them. Of that series, there are still derived options for a total of 43,450 shares, with an exercise price of 3.70 euros/share, that may be exercised in 2004 and 2005.

In summary, and with reference to the year 2003 (options corresponding to shares with a par value of one euro):

Series	Options Granted		Exercisable Options	Exercised Options	Other Extinct Options	
	Initial	Derived			Initial	Derived
2002	–	–	153,585	–	–	417,305[1]
2003	261,000	783,000	261,000	194,310	66,690[2]	200,070[2]
Total			414,585	194,310	66,690	617,375

(1) Resulting from the failure to exercise valid options in 2003 / renouncement of exercisable options in 2003, 2004 and 2005.
(2) Since the initial options granted in 2003 were not exercised.

Therefore, whereas 460,755 shares (of which one third were exercisable in 2003) were required at the beginning of the year to meet the exercise of options granted in 2002, the number of shares required at the end of the year to meet the exercise of all options granted in the meantime were as follows:

Series	Options Exercisable in:			Total
	2004	2005	2006	
2002	21,725	21,725	–	43,450
2003	194,310	194,310	194,310	582,930
Total	216,035	216,035	194,310	626,380

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

In 2003, the company and subsidiary companies signed three contracts with the shareholder with a qualified holding, Teixeira Duarte – Engenharia e Construções, S.A., and companies in which it has participations, as follows:

a) On 29 May 2003, considering that (*i*) the companies CIMPOR – Indústria de Cimentos, S.A., (CIMPOR Indústria) and TDCIM – Concessão da Construção de Instalações, Exploração, Movimentação e Armazenamento de Cimentos, S.A., (at the time a subsidiary of Teixeira Duarte – Engenharia e Construções, S.A.) both had concessions for the private use of adjoining plots of land located in the Multipurpose Terminal at the Port of Sines, both concessions were assigned for the construction of facilities for the transport and storage of cement, clinker, pozzolana and gypsum and (*ii*) that CIMPOR Indústria planned to build facilities for the said activities on those two land plots, the two companies signed a contract, also signed by the Port of Sines Management (APS), under which TDCIM transferred to CIMPOR Indústria, with the agreement of APS, its position in the concession contract that it had signed with the latter. The price established for the concession was 1,128,531.27 euros, corresponding to the amount of the proven costs incurred by TDCIM in carrying out that contract.

b) In July, since (*i*) TDCIM was building a clinker grinding unit on a plot of land belonging to Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento (IAPMEI), covered by a promissory surface rights contract, and (*ii*) CIMPOR Indústria, through its subsidiary Estabelecimentos Scial do Norte, S.A., (SCIAL), was interested in acquiring it, the former transferred to the latter – with the consent of IAPMEI/PGS – Sociedade de Promoção e Gestão de Áreas Industriais e Serviços, S.A. – its contract position in the said promissory surface rights contract and promised to sell the said clinker grinding mill as soon as it was built for a price equivalent to the cost of the investment.

c) In view of the link between the operation of the cement storage and transport facilities, the clinker grinding operation and the activities of TDCIM, in July CIMPOR Indústria acquired, fromTeixeira Duarte – Engenharia e Construções, S.A., a lot of 105,000 shares in that company, representing 21% of its share capital, for 220,000 euros.

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

1.8. Investor Relations Office

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

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

Raúl Tito Rodrigues Caldeira, head of the Investor Relations Office and of the Studies & Strategic Development Department, has since 1994 also been the representative for Relations with the Capital Market, under the terms and for the purposes of the Securities Market Code.

Means of contacting the Investor Relations Office

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

1.9. Remuneration Committee

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

— Banco Comercial Português, represented by Filipe de Jesus Pinhal

— António Carlos Calaínho de Azevedo Teixeira Duarte

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

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

1.10. Auditor's Fees

In 2003, the total cost services rendered to the CIMPOR Group by its external auditors (Deloitte & Touche), including all individuals or entities belonging to the respective network, amounted to 1,342,782.82 euros, distributed as follows:

a)	legal certification of accounts	23.95 %
b)	other assurance services	58.19 %
c)	tax consultancy services	15.04 %
d)	other services other than legal certification of accounts	2.81 %

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

— Accounting and administrative services, such as bookkeeping, the preparation of financial statements or financial information reports, processing of salaries and the preparation of tax returns;

— The conception, design and implementation of management information systems;

— Asset or liability appraisal services that may be recorded in the Group's financial statements;

— Services rendered within the scope of internal auditing;

— Legal consultancy services implying that the entities in question represent any of the Group companies to resolve litigations and disagreements with third parties;

— Services for recruiting and selection upper technical staff.

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

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

2. Exercise of Voting Rights and Shareholder Representation

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

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

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

- Shareholders with voting rights may attend General Meetings, and one vote shall be granted for each five hundred shares (shareholders with less than five hundred shares may form a group to attain this limit).
- Shareholders may be represented at meetings.
- Shareholders may take part in General Meetings and may vote by correspondence provided they hold at least five hundred shares that must be registered in their name no later than fifteen days prior to the date of the General Meeting and remain registered

thus until the Meeting is closed; and shareholders shall provide proof of their voting rights to the Chairman of the Board of the General Meeting through a declaration issued by the respective financial intermediary no later than eight days prior to that date;

— No shareholder, except for the state or equivalent entities for that purpose, may issue countable votes on their behalf or in representation of another where they exceed ten percent of all votes corresponding to the share capital.

As already indicated, with the expected approval of the proposal to amend the articles of association submitted to the Annual General Meeting of 2004, the periods to block shares and to submit the respective declaration shall be reduced to five and three business days, respectively.

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

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

3. Company Rules

3.1. The Company's Codes of Conduct

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

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

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

3.2. Risk Control in the Company's Business

At the level of the holding company, and in addition to the Corporate Centre – that, among other tasks, is in charge of managing financial and asset risks (described in point 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 and also for ensuring good performance by the said systems.

In particular, this Department performs the following:

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

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

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

In the recent years, CIMPOR shareholders had three separate opportunities to reject proposals to eliminate the said limit in the articles of association for counting votes – the last of these opportunities being at the General Meeting of 31 January 2003, with a clear 65% majority of votes cast.

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

This is therefore not a measure that, in itself, is used to hamper the success of Takeover Bids or that are seen as susceptible of harming the interests of the company and it's partners.

The only restrictions on the transfer of shares are those covering the shares held by Teixeira Duarte – Engenharia e Construções, S.A., consequent to the public tender for the last privatisation stage of CIMPOR and that prevented these shares from being traded until three years have elapsed since the said tender (August 2001).

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

4. Management

4.1. Characterisation of Management

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

In view of the corporate interest in instituting a statutory system whereby a director may be appointed by initiative of minorities, the General Meeting of 31 January 2003 adopted a resolution to eliminate the applicability of the supplemental mechanism provided for in Articles 392.6 of the Companies Code – which is based strictly on a process of divergence and conflict, absolutely dependent on there having been opposition to the list voted by the majority – replacing it with an alternative system, with the following rules established in accordance with items 1 to 5 of Article 392 of the said code:

— Regardless of whether votes were cast against the successful list, one of the directors must always be a person proposed in lists subscribed to and submitted by a group of shareholders, provided that none of those groups holds a share representing more than 20% or less than 10% of the share capital, unless such lists are not submitted;

- Should a list be submitted for the purpose, this election will be held separately from and before the election of the other directors;
- The same shareholder cannot subscribe to more than one list and each list must contain at least two names eligible for the positions to be filled;
- If lists are submitted by more than one group, the voting shall involve all such lists.

The Board of Directors in office at the start of 2003, elected for the four-year period from 2001 to 2004, consisted of the following members:

- Ricardo Manuel Simões Bayão Horta – Chairman
- Luís Eduardo da Silva Barbosa
- Jacques Lefèvre
- Jean Carlos Angulo
- Jorge Manuel Tavares Salavessa Moura
- Luís Filipe Sequeira Martins
- Manuel Luís Barata de Faria Blanc
- Pedro Maria Calaínho Teixeira Duarte
- João Salvador dos Santos Matias
- Manuel Ferreira
- José Alfredo de Almeida Honório was appointed by Secilpar, S.L., to perform the respective duties on his own behalf.

At the Annual General Meeting of 14 May 2003, under the topic relating to the general assessment of the company's management and auditing, the shareholders rejected a vote of confidence in the director José Alfredo de Almeida Honório and consequently approved a proposal to dismiss Secilpar, S.L., from the Board (under the possible understanding that it had never acquired the status of director) and to dismiss the person appointed by it to act as Director in his own behalf.

On 16 May 2003, Secilpar, S.L., requested a precautionary measure to suspend the decisions at the said General Meeting, exclusively in matters regarding itself (not refuting the dismissal of José Alfredo de Almeida Honório), and to annul the said decisions.

On 13 November 2003, the hearing was held to judge the said precautionary measure, whereby the case was dismissed in favour of CIMPOR.

A new Shareholders General Meeting was held on 31 July 2003. As a precaution, the previous decision about Secilpar, S.L., was repeated and renewed and Vicente Arias Mosquera was elected to the position of CIMPOR Director, by proposal of minority shareholders in accordance with the rules of article 12-A of the company's articles of association.

Secilpar, S.L., also filed a petition to subject these decisions to a precautionary suspension and annulment measure that is now pending.

Because the company was summoned to this last precautionary proceeding requested by Secilpar, S.L., and because of the provisions of no. 3 of article 397 of the Civil Process Code – that impede carrying out decisions subject to this precautionary measure from the summons date until a decision is issued by the court of first instance – the director Vicente Árias Mosquera elected by initiative of minority shareholders has until now been impeded from performing the duties for which he was elected. The company is fully confident that there is no basis to the said precautionary measure and, consequently, it believes the court sentence will be favourable and allow that director to perform his duties in the near future.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

POSITIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The following members held positions in other companies:

Ricardo Manuel Simões Bayão Horta

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

Luís Eduardo da Silva Barbosa

Chairman of the Board of Directors of Eurovida – Companhia de Seguros de Vida, S.A.;
General Agent in Portugal for the agency Abeille Vie – Société Anonyme d'Assurances Vie et Capitalisation;
Chairman of the Board of Directors of ADI – Administração de Investimentos, S.A.;
Chairman of the Board of the General Meeting Board of Bayer Portugal, S.A.;

Chairman of the Board of the General Meeting of APA – Associação Parque Atlântico;
Manager of Silva & Barbosa – Consultores Internacionais de Gestão, Lda.;
President of the Humanism and Development Institute;
Director of the Amélia da Silva de Mello Foundation;
Director of the Oliveira Martins Foundation;
Director of the Portugal Africa Foundation;
Consultant for the Somelos – Indústrias Têxteis Group.

Jacques Lefèvre

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

Jean Carlos Angulo

Assistant General Manager of the Lafarge Group;
Deputy-chairman of Lafarge Ciments;
Director of Lafarge Asland, S.A.;
Director of Readymix Asland, S.A.;
Deputy-chairman of Lafarge Maroc;
Director of Lafarge Adriasebina;
Director of Cementos Molins, S.A.;
President of the Professional Organisations Syndicat Français de l'Industrie Cimentière, ATILH and Cimbéton;
Director of CEMBUREAU.

Jorge Manuel Tavares Salavessa Moura

Chairman of the Board of Directors of CIMPOR Portugal, SGPS, S.A.;
Chairman of the Board of Directors of CIMPOR Inversiones, S.L.;
Chairman of the Board of Directors of CIMPOR Internacional, SGPS, S.A.;
Chairman of the Board of Directors of CIMPOR Investimentos, SGPS, S.A.;
Chairman of the Board of Directors of CIMPOR – Indústria de Cimentos, S.A.;
Chairman of the Board of Directors of CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A.;
Chairman of the Board of Directors of Geofer – Produção e Comercialização de Bens e Equipamentos, S.A.;
Chairman of the Board of Directors of CIMPOR Imobiliária, S.A.;
Chairman of the Board of Directors of Estabelecimentos Scial do Norte, S.A.;
Chairman of the Board of Directors of Mossines – Cimentos de Sines, S.A.;
Manager of MECAN – Manufactura de Elementos de Casas de Construção Normalizada, Lda.;
Manager of KANDMAD – Prestação de Serviços e Comércio de Importação e Exportação, Lda.;
Chairman of the Board of Directors of SACOPOR – Sociedade de Embalagens de Sacos dePapel, S.A.;
Chairman of the Board of Directors of Cement Trading Activities – Comércio Internacional, S.A.;
Manager of Vilaje – Vigas e Lajes Pré-Esforçadas, Lda.;
Chairman of the Board of Directors of Prediana – Sociedade de Pré-Esforçados, S.A.;
Chairman of the Board of Directors of Asment de Témara, S.A.;

Chairman of the Board of Directors of Betocim, S.A.;
Director of CJO – Société des Ciments de Jbel Oust, S.A.;
Director of Amreyah Cement Company, S.A.E.;
Director of Amreyah Cimpor Cement Company, S.A.E.;
Director of Cement Services Company, S.A.E.

All these companies are part of the CIMPOR Group.

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

Luís Filipe Sequeira Martins

Director of CIMPOR Portugal, SGPS, S.A.;
Deputy-chairman of the Board of Directors of CIMPOR Inversiones, S.L.;
Director of CIMPOR Internacional, SGPS, S.A.;
Director of CIMPOR Investimentos, SGPS, S.A.;
Chairman of the Board of Directors of Betão Liz, S.A.;
Chairman of the Board of Directors of CIMPOR Betão, SGPS, S.A.;
Manager of Vermofeira – Extracção e Comércio de Areias, Lda.;
Manager of KANDMAD – Prestação de Serviços e Comércio de Importação e Exportação, Lda.;
Director of Corporación Noroeste, S.A.;
Chairman of the Board of Directors of Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A.;
Chairman of the Board of Directors of Cementos de Andalucía, S.L.;
Director of Asment de Témara, S.A.;
Chairman of the Board of Directors of CJO – Société des Ciments de Jbel Oust, S.A.;
Chairman of the Board of Directors of Amreyah Cement Company, S.A.E.;
Chairman of the Board of Directors of Amreyah Cimpor Cement Company, S.A.E.;
Chairman of the Board of Directors of Cement Services Company, S.A.E.

All these companies are part of the CIMPOR Group.

Manuel Luís Barata de Faria Blanc

Director of CIMPOR Portugal, SGPS, S.A.;
Deputy-chairman of the Board of Directors of CIMPOR Inversiones, S.L.;
Director of CIMPOR Internacional, SGPS, S.A.;
Director of CIMPOR Investimentos, SGPS, S.A.;
Director of CIMPOR – Serviços de Apoio à Gestão de Empresas, S.A.;
Manager of KANDMAD – Prestação de Serviços e Comércio de Importação e Exportação, Lda.;
Director of Asment de Témara, S.A.;
Director of CJO – Société des Ciments de Jbel Oust S.A.;
Chairman of the Board of Directors of CEC – Cimpor Egypt for Cement, S.A.E.;
Director of Amreyah Cement Company, S.A.E.;
Director of Amreyah Cimpor Cement Company, S.A.E.;
Director of Cement Services Company, S.A.E.;
Director of Compania de Cimentos do Brasil;
Chairman of the Board of Directors of Cimentos de Moçambique, S.A.R.L.;
Chairman of the Board of Directors of Imopar – Imobiliária de Moçambique, S.A.R.L.;
Chairman of the Board of Directors of Natal Portland Cement Company (Proprietary) Limited;
Chairman of the Board of Directors of CIMPOR Reinsurance, S.A.;
Director of CIMPOR Finance, Ltd.;
Director of Penrod Investments Limited.

All these companies are part of the CIMPOR Group.

Pedro Maria Calaínho Teixeira Duarte

Director of Teixeira Duarte – Engenharia e Construções, S.A.;
Director of Teixeira Duarte – Gestão de Participações e Investimentos Imobiliários, S.A.;
Director of Teixeira Duarte – Engenharia e Construções (Macau), Lda.;
Director of PASIM – Sociedade Imobiliária, S.A.;
Manager of EPOS – Empresa Portuguesa de Obras Subterrâneas, Lda.;
Manager of F+P – Imobiliária, Lda.;
Manager of Hipus – Sociedade Hípica e Turística da Bela Vista, Lda.;
Member of the Senior Board of Banco Comercial Português, S.A.;
Member of the General Board of EIA – Ensino, Investigação e Administração, S.A.

João Salvador dos Santos Matias

Director of Tedal, SGPS, S.A.;
Director of ESTA – Gestão de Hóteis, S.A.;
Director of Bonaparte – Imóveis Comerciais e Participações, S.A.;
Director of CPE – Companhia de Parques de Estacionamento, S.A.;
Director of EVA – Sociedade Hoteleira, S.A.;
Director of Mercapetro – Produtos Petrolíferos, S.A.;
Director of Petras – Sociedade Distribuidora de Combustíveis e Gás Natural, S.A.;
Director of Petrin – Petróleos e Investimentos, S.A.;
Director of Petrobeiras – Produtos Petrolíferos das Beiras, S.A.;
Director of S. Luís de Maranhão – Gestão Imobiliária, S.A.;
Director of Sinerama – Organizações Turísticas e Hoteleiras, S.A.;
Director of SM – Companhia Portuguesa de Distribuição de Petróleos e Derivados, S.A.;
Director of Soprocine – Empreendimentos Imobiliários, S.A.;
Director of SPI – Sociedade de Petróleos Independentes, S.A.;
Director of Tratado – Sociedade Imobiliária e de Gestão, S.A.;
Director of TDF – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.;
Director of TDGI – Tecnologia de Gestão de Imóveis, S.A.;
Director of VTD – Veículos Automóveis, S.A..

Manuel Ferreira

Director of Mercapetro – Produtos Petrolíferos, S.A.;
Director of Petras – Sociedade Distribuidora de Combustíveis e Gás Natural, S.A.;
Director of Petrin – Petróleos e Investimentos, S.A.;
Director of Petrobeiras – Produtos Petrolíferos das Beiras, S.A.;
Director of SM – Companhia Portuguesa de Distribuição de Petróleos e Derivados, S.A.;
Director of Teixeira Duarte – Engenharia e Construções, S.A.;
Director of Teixeira Duarte – Gestão de Participações e Investimentos Imobiliários, S.A.;
Director of Teixeira Duarte, SGPS, S.A.;
Director of Tedal, SGPS, S.A.;
Director of TDE – Empreendimentos Imobiliários, S.A.;
Director of SPI – Sociedade de Petróleos Independentes, S.A.;
Director of V8 – Gestão Imobiliária, S.A.;
Sole Director of TOPSPIN – Centro Desportivo de Ténis Internacional, S.A., of TOPSPIN – Investimentos Imobiliários, S.A., e da TOPSPIN, SGPS, S.A.;
Chairman of the Board of Directors of PTG – Sociedade Gestora de Participações, S.A.;
Chairman of the Board of Directors of VTD – Veículos Automóveis, S.A.;
Chairman of the Board of Directors of Soprocine - Empreendimentos Imobiliários, S.A.;

Chairman of the Board of Directors of EUROGTD – Sistemas de Informação, S.A.;
Chairman of the Board of Directors of EVA – Sociedade Hoteleira, S.A.;
Manager of Angoímo – Empreendimentos e Construções, Lda.;
Manager of Comércio de Automóveis, Lda.;
Manager of Teixeira Duarte – Engenharia e Construções (Angola), Lda.;
Manager of Imoafro – Empreendimentos Imobiliários, Lda.;
Manager of Afrimo – Empreendimentos Imobiliários, Lda.;
Manager of Lisboa Ténis Clube, Lda..

— **Vicente Árias Mosquera** *

Chairman of the Board of Directors of the Group of Companies of Banco Pastor;
Chairman of the Board of Directors of the Group La Toja Hoteles, S.L.;
Chairman of the Board of Directors of Inversiones Ibersuizas, S.A.;
Chairman of the Board of Directors of Patronato de La Escuela de Enseñanza Social de Galícia;
Deputy-chairman of the Board of Directors of Union Electrica-Fenosa, S.A.;
Deputy-chairman of the Board of Directors of Fundacion Galicia-Europa, S.A.;
Deputy-chairman of the Board of Directors of Asociacion de Amigos del Centro Galego de Arte Contemporanea S.A.

* Elected at the General Meeting of 31 July 2003 and still impeded from performing duties

4.2. Executive Committee

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

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

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

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

The Executive Committee – chaired by Pedro Teixeira Duarte, who, when necessary, is substituted by Jorge Salavessa Moura – cannot deliberate without a majority of its members being present or represented. No more than one director may be represented at any meeting. Deliberations are taken by a majority of those present. During 2003 the Executive Committee met on 38 occasions.

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

- External Relations and Communication, Human Resources, Internal Audit and Legal Affairs – Jorge Salavessa Moura, substituted when necessary by Luís Filipe Sequeira Martins;
- Technical and Industrial Development Centre – Luís Filipe Sequeira Martins, substituted when necessary by Jorge Salavessa Moura;
- Corporate Centre, Consolidation & Planning, and Information Systems – Manuel de Faria Blanc, substituted when necessary by Jorge Salavessa Moura.

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

- Associação Técnica da Indústria do Cimento (ATIC) and other industry associations – Jorge Salavessa Moura, substituted when necessary by Luís Filipe Sequeira Martins;
- CEMBUREAU, "World Business Council for Sustainable Development" (WBCSD) and Associação Portuguesa das Empresas de Betão Pronto (APEB) – Luís Filipe Sequeira Martins, substituted when necessary by Jorge Salavessa Moura;
- Securities Market Commission (Comissão do Mercado de Valores Mobiliários - CMVM), Lisbon Euronext and Audit Committee – Manuel de Faria Blanc, replaced when necessary by Jorge Salavessa Moura.

4.3. Method of Functioning of the Administrative Body

The Board of Directors must meet once per quarter, without prejudice to other interim meetings as deemed necessary. No resolution may be adopted unless the majority of its members is present or represented, and no more than one director may be represented at each meeting. During 2003 the Board of Directors met 6 times.

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

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

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

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

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

4.4. Remuneration

Remuneration of the members of the Company's Board of Directors, and the modes of payment and payments under the complementary retirement or disability pension scheme, are determined by the Remuneration Committee consisting of shareholders elected at the General Meeting. The remuneration may include a variable part established in the light of the year's results (pursuant to the terms of Article 16 of the Articles of Association, the said variable part cannot exceed on an overall basis 1% of the net income less the sum set aside for the legal reserve).

In defining the said variable component, the interests of the directors are totally in line with those of the company, since it depends on the respective results and on creating value for shareholders.

The total remuneration, contributions to the complementary retirement or disability pension scheme and other incentives earned by the members of the Company's Board of Directors, as a whole, during the year ended 31 December 2003 was as follows:

(in euros)

	Fixed Remuneration	Variable Remuneration	Total Remuneration
Executive Directors	1,101,127.46	1,101,291.23	2,202,418.69
Non-executive Directors	523,752.80	0.00	523,752.80
Total	1,624,880.26	1,101,291.23	2,726,171.49

CIMPOR

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II. Group Activity

1. Macroeconomic and Industry Framework

1.1. Global Economy

The global economic downturn of 2002 spilled over into 2003, as indicators fell way short of forecasts early in the year. The uncertainty caused by the Iraqi conflict, the enormous volatility in the financial markets and a persistent generalised economic stagnation shaped the first half of 2003. The situation improved somewhat in the second half, impelled by a short war in Iraq and ongoing policies of macroeconomic expansion in the major industrialised countries. These factors, combined with the implementation of major structural reforms, brought a measure of stability to Euro Zone countries. The more buoyant second half also consolidated North America's economic recovery, brought greater growth in Japan than expected and improved economic conditions in emerging countries.

The world's overall economy in 2003 grew about 2.8%. This growth was, in particular, boosted by the emerging economies since the growth rate among industrialised countries did not exceed 2.1%.

Short-term interest rates in the USA and in the EMU remained relatively stable during the first half of 2003 following the steep drop in key interest rates to abnormally low levels during the first half. Long-term rates, however, showed a clear upward trend during the year's final months driven by indications of a faster-paced economy, by heightened budget deficits and by investors' greater demand for risk investments that greatly boosted stock markets.

The European Union had two quarters of poor performance – the first stagnant and the second of recession. From the summer onwards, however, there was a slight recovery that, nonetheless, was insufficient to push the year's growth rate above a modest 0.8%. GDP growth was practically nonexistent in France and even slightly negative in Germany, the Euro Zone's main economies. Consequently, both countries failed to comply with the budget deficit ceilings imposed by the Stability and Growth Pact.

In 2003, the unemployment rate increased to 8.8% and the inflation rate, benefiting from the weaker American dollar, was barely over 2.0%. Due to this relatively low inflation, the European Central Bank made two substantial cuts to its key interest rate in the first half, totalling 0.75%, the lowest rate (2.0%) in nearly 60 years.

GDP growth in the United States, although having surpassed 3.0%, did not meet expectations. Neither the Federal Reserve's slash in key interest rates to a mere 1.0% nor the expansionist fiscal policy were sufficient for a decisive economic boost or sustainable job creation.

A combination of high budget and trade deficits, much lower interest rates in the USA (along with excessively dollar-based assets held by Asian central banks), the disclosure of major financial scandals in large American companies and successive fears of terrorist attacks, among other factors, caused the American dollar to plummet nearly 17% against the euro in 2003, in addition to the previous year's 15.5% depreciation. When compared to a number of currencies weighed by their percentage in USA foreign trade, the dollar fell over 14% in 2003.

In Japan, the economy finally began to show signs of recovery: GDP grew slightly more than 2.0% (compared to a 0.4% drop in 2002). Exports were the recovery's main driving force, particularly demand from the USA and from some Asian countries, especially China.

According to IMF, Latin America's production grew about 1.1% compared to the slightly negative growth in 2002. Nevertheless, South American countries performed very differently: whereas Argentina's GDP grew about 7%, thereby putting an end to the deep crisis that had begun in 2001, Brazil stagnated despite its higher exports and the Central Bank's substantial cuts in the key lending rate.

1.2. Economic Environment in Countries where the Group Operates

1.2.1. Portugal

In Portugal, a 0.7% drop in private consumption, a sharp reduction in investment (gross fixed capital formation fell 9.5%) and cutbacks in public spending led to a significant drop in domestic demand (-2.9%) that, despite an almost 4% growth in exports of goods and services, caused GDP to shrink by nearly 1.3% in 2003.

The government's commitment to comply with the budget deficit laid out by the Stability and Growth Pact, although fulfilling a pressing need to consolidate the budget, led to significant public investment cutbacks and very negative effects in various sectors, particularly in the construction sector. Corporate and private debt also continued to greatly restrict investment and private consumption.

In this scenario of strong recession, unemployment increased to almost 7% by the end of 2003 and annual inflation decreased by 0.4% to 3.3%.

1.2.2. Spain

In 2003, Spanish GDP grew 2.4% (compared to 2.0% in the previous year), a truly strong performance when compared with the European Union's average.

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This growth was mainly based on higher private consumption – due to greater disposable income and the creation of new jobs – and also based on a dynamic construction sector both in housing and in public works. There was also greater investment in equipment that, on reaching 1.9%, was the highest in the past three years.

Nevertheless, strong domestic demand led to somewhat excessive growth in imports and therefore a higher deficit in the Current Account Balance, which came to represent 3.6% of GDP (compared to merely 2.4% in 2002). On the other hand, both the unemployment rate (over 11%) and the inflation rate (above 3.5%) remained high.

1.2.3. Morocco

In Morocco the economy grew 5.5% (1% more than in 2002) due to the substantial improvement in vital sectors such as agriculture, civil construction, energy production and tourism.

Contrary to the previous year, although imports increased (3.7%) much more than exports (1.5%), the balance of payments remained very positive due to emigrant remittances and a high rate of direct foreign investment.

Inflation, benefiting from a savings rate that reached 26.5% of GDP, was not greater than 1% and plummeted almost 2% compared to the average in 2002.

1.2.4. Tunisia

The good performance in the agricultural and industrial sectors (the latter boosted in particular by exports), despite the fall in tourism income, allowed Tunisia to have a GDP growth in 2003 identical to that of previous years (above 5%).

Higher exports combined with greater emigrant remittances reduced the external deficit from about 3% of GDP in 2002 to only 2.4% in 2003.

Both inflation (2.7%) and the public sector deficit (that fell from 3.8% of the GDP in 2002 to 2.7% in 2003) remained under control.

1.2.5. Egypt

The Egyptian economy – that shrunk about 1% in 2003 and with only marginal industrial production growth – continues to be affected by various obstacles that have undermined its sustained recovery: a relatively high inflation rate (above 5%), high interest rates and substantial public and trade deficits.

Also worrisome is the persistent lack of liquidity in Egypt's economy, mostly due to a shallow currency exchange market whose rates do not suitably reflect supply and demand. Within this context, from the start to the end of 2003 the Egyptian pound depreciated about 25% against the dollar and more than 37% against the euro.

The atmosphere of permanent conflict in the Middle East also had a negative effect on the country, contributing to a delay in economic reforms, particularly measures to liberalise the economy and to carry out the privatisation program.

1.2.6. Brazil

Although the Brazilian economy fell by 0.2% in 2003 (the lowest growth rate in a decade), the year may be viewed overall as favourable, particularly its international credibility based on the new government's economic policy and renewed investor confidence which is vital for the future.

In 2003, the economy was subject to two very distinct stages. In the first half, the economy clearly sagged and interest rates remained high to control inflation that began to spiral in 2002. In the second half, as inflation progressively fell, the Central Bank began decreasing its key interest rates and the first signs of an economic recovery were felt.

Consequent to this restrictive policy, the inflation rate (IPCA - Portuguese abbreviation for Broad Consumer Price Index) fell from 12.5% in 2002 to less than 10% in 2003. However, there was also a simultaneous steep drop in public and private consumption and in investment. In this setting, the falling GDP did not decrease more only because of the excellent performance by the livestock industry and by most exports that increased 5.0% and 14.2%, respectively.

The Brazilian currency rose against the American dollar by 22% from the end of one year to the end of the next, although, on an average annual basis, it still depreciated slightly (4%).

1.2.7. Mozambique

In 2003, Mozambique's economy went through a clear expansion, with a real GDP growth of 8% and an inflation rate that shot up 5% to nearly 14%.

Inflation increased mostly because of the rand's appreciation (almost 40% against the metical on an annual average basis) that in turn increased the price of the high flow of imports from South Africa for all of Mozambique's economy.

Interest rates, although still excessively high, began to fall slightly as the Central Bank had forecast.

The overall balance of payments also improved due a decrease in the current account deficit and positive performance of the capital account balance resulting from higher foreign investment and the favourable flow of foreign loans.

1.2.8. South Africa

In 2003, South Africa's economy was especially affected by the rand's strong appreciation that, by the year's end, had appreciated over 30% against the dollar and about 9% against the euro. This somewhat unexpected trend was mostly due to higher priced commodities, particularly gold, and the country's relatively high interest rates within an international perspective.

Despite the higher consumption and investment (GFCF increased 5.5%), GDP growth did not exceed 1.5%, consequent to substantially lower exports that were greatly undermined by the higher rand.

On the other hand, the inflation rate fell to 5.8%, a 3.3% drop from 2002, mainly because of the rand's appreciation and less expensive imported goods and services. The lower inflation rate enabled the Central Bank to gradually decrease its key interest rates during the year - from 17.0% to 11.5% – in an attempt to stimulate business activity and to defend national production from the threat of more competitive imports.

1.3. Evolution of the Cement Sector

The world's cement consumption in 2003 reached nearly 1,800 million tons. Falling consumption in most developed countries was more than compensated by higher consumption in other markets, mainly in Asian, Central European and East European countries.

In the more developed markets, the economic slowdown and lower public and corporate confidence levels were inevitably detrimental to private investment. Public investment was also subject to substantial cutbacks due to efforts by western governments to bring order to government accounts. The construction sector, which is directly linked to investments in housing and infrastructures, was hardest hit in this scenario and saw cement consumption fall.

Nevertheless – and contrary to the situation in most West European countries – the United Kingdom, Spain and Greece experienced substantially higher cement consumption. In North America, although Canada increased cement consumption by 4%, the construction sector in the USA remained practically stagnant despite the steep drop in interest rates.

Despite lower demand, cement prices mainly held their ground, except in Germany where prices fell by about 15% on average during the year. Lower German prices were influenced by the sector's problems in 2002 and the ensuing price war.

In the emerging and developing markets, demand was generally more favourable. In Latin America, where prices increased in local currency, Brazil's and Venezuela's cement consumption decreased sharply in contrast with increases in Mexico, Chile, Peru and Argentina. Consumption also shot up in the Central and East European countries about to join the European Union (except in Poland) due to greater construction, both in terms of public investment and as a result of a more dynamic private sector. Demand also increased in the African continent, especially in Southern Africa, with an estimated growth of nearly 4%.

But higher demand - varying annually from 5% to 10% - continues to be significant in the Asia Pacific Rim countries, especially in India, South Korea, Indonesia and Thailand (in addition to China) where over half of the world's cement is consumed (with China alone consuming 40%).

As for mergers and acquisitions, it is estimated that overall transactions involved a cement production capacity of nearly 46 million tons/year, about twice the capacity acquired in 2002, but far from the maximum of 130 million tons/year in 1999. The main known transactions in 2003 are as follows:

- Holcim acquired Cementos Hispânia and Plevenski Cement, in Spain (from Dyckeroff) and in Bulgaria (from Titan);
- Acquisitions by Heidelberg – Anneliese, Buderus and Bosenberg (in Germany), Iceland Cement (in Iceland) and Slantsy (in the former USSR);
- Lafarge acquired Chong Quing (in China), Beocinska (in Serbia), Cementarna Trboulge (in Slovakia) and Uralcement (in the former USSR);
- Titan acquired Zlatna Panega (from Heidelberg) and Cementarnica Usje (from Holcim), both in Bulgaria;
- The joint venture entered into by Votorantim to buy Suwannee, in Florida (USA);
- Boral purchased from RMC an additional 20% shareholding in Adelaide Brighton (Australia), and a public shares operation is in progress to acquire the whole company.

As for prices, in terms of Enterprise Value, it is difficult to establish a standard for a comparison with the previous year since part of those transactions were made for private strategic interests and many of them were carried out through the exchange of assets between the main cement groups. In fact, the main cement groups continued to focus on decreasing their debt by applying somewhat drastic measures: cuts in the capex, large capital increases (Lafarge) and dividend payments in the form of shares (Heidelberg).

2. Review of Group Results

2.1. Summary of Overall Business

For CIMPOR, 2003 was in particular a year of consolidation. The Group's management focussed essentially on integrating the new units acquired at the end of 2002 (one company in South Africa and three production units in Spain), on restructuring its financial debt (through a significant extension of the respective maturity) and on major investments in two new production lines (one in Brazil, completed in the middle of the year, and another in Egypt, completed in 2004). With the production start-up of these two lines, the CIMPOR Group increased its total cement production capacity with own clinker to about 23.4 million tons/year, thereby remaining 10th in the sector's world ranking.

With the expansion of its consolidation perimeter, and despite the abrupt fall in some markets where the Group operates (particularly in Brazil and Portugal) and the euro's steep rise (against the Brazilian and Egyptian currencies by almost 25% and over 52%, respectively), the Group's consolidated Net income, net of Minority Interests, amounted to 185.9 million euros, outperforming the previous year's profit by 9.3 million euros (5.3%).

THE GROUP'S RESULTS

(million euros)

	2003	2002	Var.	2001
Turnover	1,360.9	1,317.2	3.3 %	1,385.7
Operating Cash Costs	848.4	805.8	5.3 %	880.9
Operating Cash Flow (EBITDA)	512.5	511.4	0.2 %	504.8
Depreciation, Amortisation and Provisions	223.5	227.6	- 1.8 %	235.0
Operating income (EBIT)	289.0	283.8	1.8 %	269.8
Net Financial Expenses	- 35.5	- 23.3	52.2 %	- 56.3
Current income	253.4	260.5	- 2.7 %	213.6
Net Extraordinary Items	12.3	- 38.2	n/a	- 5.2
Income Before Income Tax	265.7	222.3	19.6 %	208.4
Income Tax	72.6	40.6	78.7 %	63.6
Income Before Minority Interests	193.1	181.6	6.3 %	144.8
Minority Interests	7.2	5.1	42.5 %	6.9
Net income of the Group	185.9	176.6	5.3 %	137.8

Cement and clinker sales totalled nearly 18.3 million tons, an 11% increase over the previous year. The new units acquired in South Africa and in the Spanish zone of Andalusia made a decisive contribution to this performance. Without these units, and excluding sales to those units by the Group's Portuguese and Galician plants, the sales volume would have decreased by nearly 1.2 million tons compared to 2002.

Sales increased in Spain, South Africa and, particularly, in Morocco and Mozambique, the last two with growth rates of about 9% and 17%, respectively. However, in other countries where the Group operates cement consumption fell to a greater or lesser degree, particularly in Portugal (-16%) and Brazil (-11%).

CEMENT AND CLINKER SALES

(thousand tons)

Business Areas	2003	2002	Var.
Portugal	5,849	6,073	- 3.7 %
Spain	3,742	1,548	141.8 %
Morocco	822	739	11.2 %
Tunisia	1,498	1,471	1.8 %
Egypt	2,108	2,203	- 4.3 %
Brazil	3,242	3,693	- 12.2 %
Mozambique	595	486	22.3 %
South Africa	1,033	271*	281.1 %
Total (consolidated)	18,286	16,464	11.1 %

(*) In the 4th Quarter.

The Group's turnover amounted to 1,360.9 million euros – representing an increase of 43.7 million euros (3.3%) in relation to 2002 – with the increased consolidation perimeter (Spain and South Africa), more than offsetting the decreases in turnover in Portugal and, in terms of euros, in the other countries in which the Group currently operates (except for Morocco and Mozambique).

CONTRIBUTION TO TURNOVER*

(amounts in million euros)

	2003		2002		Variation	
Business Areas	Amount	%	Amount	%	Amount	%
Portugal	554.6	40.7	651.3	49.4	- 96.7	- 14.9
Spain	299.3	22.0	168.5	12.8	130.8	77.6
Morocco	56.1	4.1	49.3	3.7	6.8	13.8
Tunisia	54.9	4.0	57.6	4.4	- 2.7	- 4.6
Egypt	55.3	4.1	73.8	5.6	- 18.5	- 25.1
Brazil	223.5	16.4	255.4	19.4	- 31.8	- 12.5
Mozambique	42.5	3.1	37.2	2.8	5.2	14.1
South Africa	69.1	5.1	13.5	1.0	55.6	n/a
Other Activities	5.6	0.4	10.6	0.8	- 5.0	- 47.1
Consolidated Total	1,360.9	100.0	1,317.2	100.0	43.7	3.3

(*) Excluding intra-Group transactions.

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In Portugal alone Turnover fell by about 56 million euros due to the sluggish construction market (where production fell by about 8%), despite substantial sales to the new units acquired in Spain. Consequently, this Business Area's relative importance in relation to total consolidated turnover fell from nearly 50% in 2002 to less than 44% in 2003 (41%, excluding intra-Group sales).

Lower Turnover in Tunisia, Egypt and Brazil resulted essentially from the combined effect of the slowdown in these markets and from the euro's steep appreciation against the currencies of those countries. In Brazil alone, if its currency had remained stable, the respective Turnover would have been 54 million euros greater, thereby exceeding the amount in 2002 by about 8.8%.

Although Morocco's and Mozambique's currencies also fell against the euro, particularly that of Mozambique, there were substantial gains in Turnover, even when measured in euros.

South Africa, also with an excellent performance (the amount for 2002 includes only the fourth quarter and so is not comparable to that for 2003), already represents over 5% of the Group's consolidated Turnover. Spain, as a result of its increased consolidation perimeter, is now CIMPOR's second largest Business Area.

In contrast to the situation at the end of the first half year, both Operating Cash Flow and Operating income rose slightly during the year (0.2% and 1.8%, respectively) in comparison to 2002. However, because of lower sales in Portugal and Brazil, and since the new plants acquired in Spain had significantly lower margins than those of companies already owned by the Group in Spain, the EBITDA and EBIT margins fell slightly compared with the previous year (from 38.8% to 37.7% and from 21.5% to 21.2%, respectively).

OPERATING CASH FLOW (EBITDA)

(amounts in million euros)

	2003		2002		Variation	
Business Areas	Value	Margin	Value	Margin	Value	%
Portugal	211.4	35.4 %	256.8	39.3 %	- 45.5	- 17.7
Spain	84.2	28.1 %	55.4	32.5 %	28.8	52.0
Morocco	25.4	45.3 %	22.5	45.6 %	2.9	12.8
Tunisia	13.3	24.3 %	10.5	18.3 %	2.8	26.9
Egypt	21.3	38.4 %	16.9	22.9 %	4.4	25.8
Brazil	115.5	51.7 %	130.8	51.2 %	- 15.3	- 11.7
Mozambique	11.7	27.4 %	7.3	19.5 %	4.3	58.7
South Africa	31.2	45.1 %	5.6	41.3 %	25.6	n/a
Other Activities	- 1.4	-	5.6	-	- 6.9	n/a
Total	512.5	37.7 %	511.4	38.8 %	1.1	0.2

Portugal – where Operating Cash Flow fell more than 45 million euros and the respective margin fell nearly 4% due to the already mentioned lower sales and the relative weight of clinker sales (whose value added is substantially lower) – was the business area most affected in terms of these indicators. Consequently, Portugal's relative importance in the Group's total Cash Flow fell from over 50% in 2002 to about 41% in 2003.

Operations in Brazil also had a significantly lower Operating Cash Flow due to falling sales and depreciation of the real, although the EBITDA margin remained almost the same as that of the previous year.

The lower margin in Spain is easily explained by the lower cement prices in the Andalusia region (compared with Galicia where the group made all its sales in 2002) and, in particular, because the new units acquired in Andalusia do not have sufficient clinker production capacity, so that clinker must be purchased from third parties or from other Group units.

All the other Business Areas substantially increased their respective Operating Cash Flows both in absolute amounts (despite the depreciated currencies in the countries in question, except for South Africa) and, in particular, their margin (except for Morocco, where the margin fell slightly).

FINANCIAL INDICATORS

	2003	2002	2001
Turnover / Employee (10^3 euros)	227.8	224.2	207.3
Value Added / Employee (10^3 euros)	111.4	113.0	98.0
Payroll Expenses / Turnover	11.2%	11.6%	10.8%
Margins on Turnover			
Operating Cash Flow (EBITDA Margin)	37.7%	38.8%	36.4%
Operating income (EBIT Margin)			
Before Amortisation of Goodwill	26.1%	26.0%	23.0%
After Amortisation of Goodwill	21.2%	21.5%	19.5%
Net income before Minority Interests	14.2%	13.8%	10.4%
Depreciation and Amortisation (1) / Turnover	10.2%	11.4%	12.3%
Net Investment (2) / Turnover	10.9%	30.5%	14.6%
Inventories (3) / Turnover	9.9%	10.5%	10.4%
Working Capital (net) (3) / Turnover	13.4%	14.2%	14.0%
Operating income / Net Financial Expenses	8.1	12.2	4.8
Net Debt / Capital Employed	48.2%	46.6%	43.3%
Return on Equity (RoE)	19.5%	17.3%	12.4%
Return on Capital Employed (RoCE) (4)	10.0%	10.1%	9.9%

(1) Excluding amortisation of goodwill.
(2) In tangible fixed assets.
(3) Average balance in the year.
(4) Net of income tax.

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After allocating, to each Business Area, amortisation of goodwill paid on the acquisition of the respective companies, contributions of all the countries, except for Portugal and Brazil (for the reasons already mentioned), to the Group's Operating income increased more or less substantially. In 2003, only the Business Area of Egypt still had a small negative contribution, although it increased by about 12.5 million euros over the previous year.

Net Financial Expenses increased approximately 12 million euros in relation to 2002. This decrease results entirely from currency exchange losses on hedging operations, since interest on debt remained practically the same even though debt increased.

In the preceding year the Company incurred significant Net Extraordinary Items due to the recording of extraordinary amortisation of goodwill and increases in a number of provisions. However, in 2003 the company had Net Extraordinary Items of approximately 12 million euros, which represents an improvement of approximately 50 million euros.

Income tax also varied significantly in relation to the preceding year, having increased by 32 million euros. This is due to significant tax savings in 2002 resulting from the restructuring of the Group.

CAPITAL EMPLOYED (GROUP)

(million euros)

	2003	2002	2001
Current Assets	419.8	440.9	447.7
(Non-financial Current Liabilities)	(237.0)	(258.8)	(250.6)
Working Capital (net)	182.8	182.1	197.1
Goodwill (gross)	1,250.7	1,256.5	995.6
Tangible Fixed Assets (net)	1,193.6	1,300.1	1,279.7
Other Assets (net)	(55.7)	(273.1)	(29.9)
Capital Employed	2,571.3	2,465.5	2,442.5
Financing Debt	1,531.4	1,520.9	1,239.1
(Loans Granted / Liquid Assets)	(292.9)	(372.0)	(181.7)
Net Financial Debt	1,238.5	1,148.9	1,057.3
Provisions for Risks and Charges	127.9	118.7	55.8
Minority Interests	78.3	88.5	111.5
Deferred Tax Liabilities (net)	(22.7)	(25.3)	32.9
Accumulated Amortisation of Goodwill	365.8	300.1	230.7
Shareholder's Equity	960.6	949.6	1,091.1
Subtotal	2,748.5	2,580.5	2,579.3
(Non-Operating Assets)	(177.2)	(115.0)	(136.8)
Capital Employed	2,571.3	2,465.5	2,442.5

As a result of the increased Consolidated Net income, after Minority Interests, Return on Equity (RoE) increased from 17.3% in 2002 to 19.5%, in 2003, whereas Return on Capital Employed (RoCE) remained practically the same at about 10% (despite the fact that the average annual net operating assets increased by nearly 175 million euros).

Capital Employed increased slightly over 100 million euros (about 4.3%) in relation to 2002, in which investments in fixed assets, including goodwill paid on the acquisitions, exceeded 165 million euros.

Despite this volume of investment, the significant amount of dividends paid (over 100 million euros), and the fact that a major part of the cost of the fixed assets acquired in Spain in December 2002 was only paid in 2003, Net Financial Debt at the end of 2003 only increased 90 million euros, and continued to represent less than 50% of Capital Employed. The net cost of this debt remained at a perfectly manageable level, equivalent to about 10% of the Operating income.

SOURCE AND APPLICATION OF FUNDS

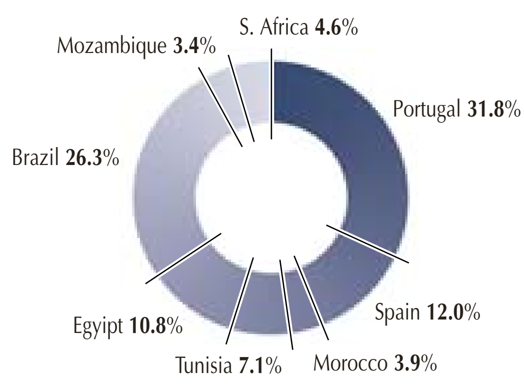
(million euros)

	2003	2002	2001
Operating income (1)	207.2	187.1	191.0
Depreciation and Amortisation for the Year	205.1	209.7	219.1
Provisions for the Year	18.4	17.8	15.8
Operating Cash Flow (1)	430.8	414.6	425.9
Net Financial Expenses (1)	(22.9)	(14.9)	(40.6)
Other Cash Flows (1)	(0.8)	50.1	(16.5)
Total Cash Flow (1)	407.0	449.8	368.8
Sale/(Purchase) of Own Shares	1.8	(2.4)	11.0
Increase/(Decrease) of Minority Interests	(17.4)	(28.1)	3.9
Increase/(Decrease) of Net Financial Debt	89.1	90.4	10.0
Variation in Deferred Taxes	2.6	(58.2)	84.0
Source of Funds	483.2	451.6	477.7
Profit Distributed	108.3	98.7	99.8
Investment (net) in Goodwill	5.7	303.4	8.4
Investment (net) in Tangible Fixed Assets			
Through Acquisitions	(0.7)	213.5	4.3
Others	148.9	187.7	198.5
Increase/(Decrease) in Working Capital (net)	1.0	(25.0)	5.4
Increase/(Decrease) in Other Assets (net of Other Liabilities) (2)	220.0	(326.7)	161.2
Application of Funds	483.2	451.6	477.7

(1) After Tax.
(2) Including effect of currency fluctuations.

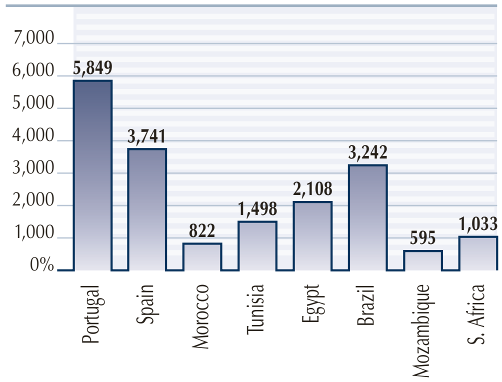
CONTRIBUTION OF THE VARIOUS BUSINESS AREAS (2003)

Breakdown of Installed Cement Capacity

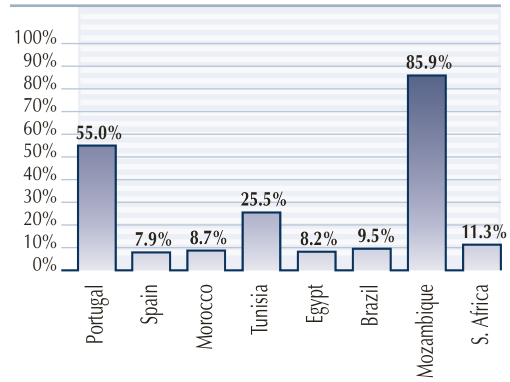


Cement and Clinker Sales

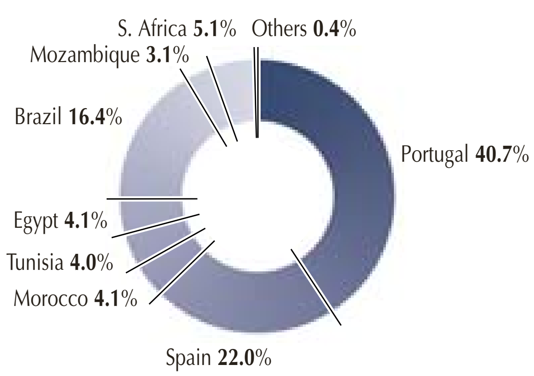
10^3 ton



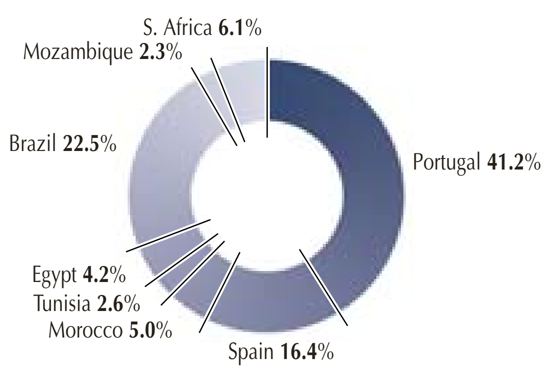
Cement Market Share



Contribution to Turnover *

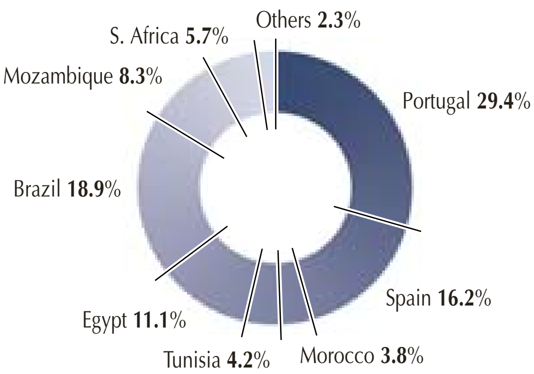


Contribution to Operating Cash Flow

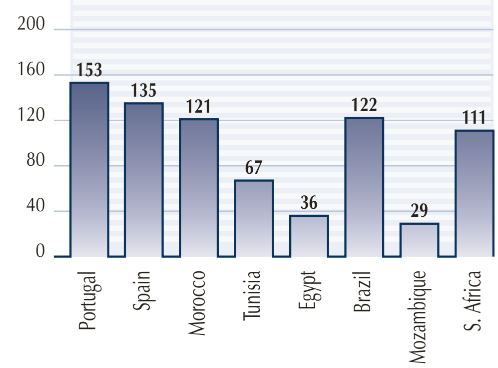


* Excluding intra-group transactions.

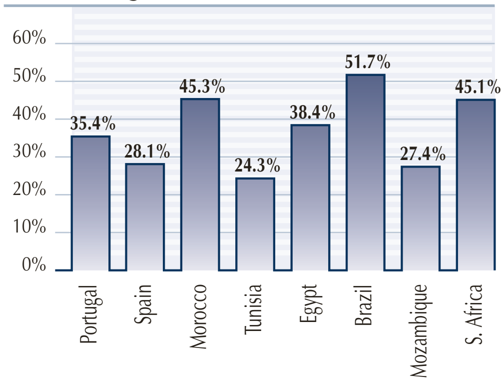
Breakdown of Employees



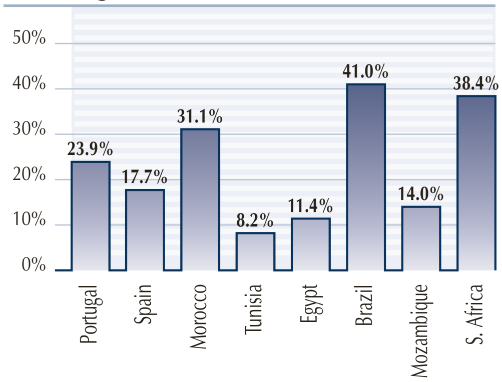
Value Added / Employee 10³ euros



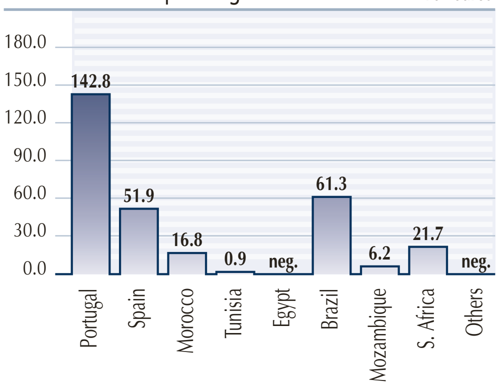
EBITDA Margin



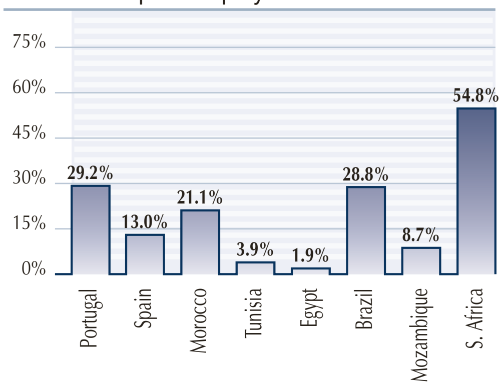
EBIT Margin



Contribution to Operating Income 10⁶ euros



Return on Capital Employed



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2.2. Portugal

In Portugal, the construction and public works sector was one of the most severely affected by the 2003 recession. Production fell by about 11% (in addition to the previous year's 1.3% decrease). Although the slowdown affected both construction segments, engineering works, whose production fell 10.6%, was hit harder than construction of buildings that fell 7%.

The slowdown in Portuguese cement sales was even more significant, as consumption decreased nearly 16%, corresponding to a sales drop of 1.7 million tons. Even so, Portugal, with a market of 9.3 million tons, remained one of the countries with the highest cement consumption per capita (about 930 kg). According to *Cembureau* (European Cement Association) Portugal's consumption per capita was exceeded only by Spain, Luxemburg and, in 2003, by Greece.

Although cement imports fell only 6%, below the market average, CIMPOR was able to maintain its market share in Portugal (55.0%) through sales of about 5.1 million tons. In addition to these sales, CIMPOR also sold 490,000 tons of clinker and an additional 270,000 tons of cement exported to various countries, particularly (nearly 80%) to Spain, shipped to the production and marketing units that it acquired in late 2002 in the Andalusia region.

PORTUGAL BUSINESS AREA

	Unit	2003	2002	Var.
Turnover	10^6 euros	596.8	652.8	- 8.6%
Payroll Expenses	10^6 euros	61.8	78.4	- 21.2%
Operating Cash Flow (EBITDA)	10^6 euros	211.4	256.8	- 17.7%
Operating income (EBIT)	10^6 euros	142.8	174.3	- 18.1%
Net income *	10^6 euros	112.9	115.7	- 2.5%
Capital Employed	10^6 euros	365.9	325.3	12.5%
Investment (net) in Fixed Assets				
Through Acquisitions / Disposals	10^6 euros	0.0	81.1	- 100.0%
Direct Investments	10^6 euros	39.6	54.7	- 27.7%
Employees (31 Dec.)	units	1,695	1,868	- 9.3%
Turnover / Employee	10^3 euros	335	344	- 2.6%
Value Added / Employee	10^3 euros	153	176	- 13.2%
EBITDA Margin		35.4%	39.3%	
EBIT Margin		23.9%	26.7%	
RoCE		29.2%	37.9%	

* Before Minority Interests.

Within the CIMPOR Group, Portugal continues to be the country of greatest relative importance, although this importance decreased substantially from 2002 to 2003: in terms of Turnover (excluding intra-Group transactions), from 49.4% to 40.7%; in Operating Cash Flow, from 50.2% to 41.2%; and its contribution to the Group's Operating income decreased from 61.4% to 49.4%.

In 2003, Turnover amounted to 597 million euros, 8.6% less than in the previous year, since the construction slowdown affected sales of not only cement but also of concrete and aggregates. The consequent lower sales, combined with the lower value added of exports (compared with sales within Portugal) led to an 18% drop in Operating Cash Flow and in Operating income, despite the savings in personnel expenses.

Consequently, the EBITDA (35.4%) and EBIT (23.9%) margins fell 3.9% and 2.8%, respectively, but remained very satisfactory in comparison with international standards.

Despite the lower Operating income and accounting adjustment to Income Tax (due to a change in the income tax rate as from 2004), the improvement in Net Financial Expenses and Extraordinary Items led to a decrease of only 2.8 million euros in the consolidated Net income of the whole Business Area (before Minority Interests) for a final Net income of almost 113 million euros.

In 2003, CIMPOR Portugal, SGPS, S.A., founded a new company called Mossines – Cimentos de Sines, S.A., with share capital of 5 million euros. This new company will operate the cement grinding, storage and transport facilities currently under construction at the Port of Sines by CIMPOR – Indústria de Cimentos, S.A., and by C+P.A. – Cimento e Produtos Associados, S.A. (a company in which the Group acquired a 48% participation in 2003). As for concrete, the company maintained the internal restructuring process started in 2001, which involves various merger processes and share transfers within the Group.

Cement

- 3 Cement Plants
- 1 Cement Grinding Unit
- 1 Hydraulic Lime Plant
- 1 Industrial Terminal
- 12 Commercial Terminals

Cement and clinker sales totalled 5.85 million tons in 2003, a 3.7% decrease in addition to the 6.5% drop in 2002.

In the domestic market, lower sales were, in relative terms, almost identical to the decrease in the global cement market (15.7%). The aforementioned sales volume was attained due to the export (almost non-existent in 2002) of 760,000 tons of cement and clinker mainly for the Spanish region of Andalusia.

Since export prices are much lower than those in Portugal and since Portuguese prices fell more than 3% on average (ex-works and net of discounts), Turnover fell 13%, for a drop of nearly 60 million euros compared with the previous year.

Substantial reductions in Payroll Expenses – that in 2002 had been greatly burdened by extraordinary payments to CIMPOR Indústria's Pension Fund – enabled Operating Cash Flow to decrease by not more than 44 million euros which, even so, represented a 4% drop in the respective margin. The lower dilution of fixed costs was also compensated by a decrease in the unit price of electric energy, combined with more efficient electricity management, by a reduction in solid fuel costs (due to greater use of petcoke) and through lower specific consumption of refractory and grinding bodies.

Cement

	Unit	2003	2002	Var.
Installed Capacity (1)	10^3 ton	7,000	6,980	0.3%
Use of Installed Capacity (2)		82.7%	88.9%	
Cement and Clinker Sales	10^3 ton	5,849	6,073	- 3.7%
Market Share		55.0%	55.0%	
Turnover	10^6 euros	391.4	450.8	- 13.2%
Payroll Expenses	10^6 euros	33.4	49.4	- 32.4%
Operating Cash Flow (EBITDA)	10^6 euros	171.6	215.5	- 20.4%
Operating income (EBIT)	10^6 euros	130.4	161.8	- 19.4%
Industrial Investment	10^6 euros	34.3	38.9	- 11.8%
Employees (31 Dec.)	units	809	857	- 5.6%
Turnover / Employee	10^3 euros	470	517	- 9.1%
Value Added / Employee	10^3 euros	246	304	- 19.0%
EBITDA Margin		43.8%	47.8%	
EBIT Margin		33.3%	35.9%	

(1) Cement production capacity using own clinker (average for the year).
(2) Clinker production / Installed capacity (clinker).

Industrial investment made in 2003 (over 34 million euros) consisted essentially of the acquisition/construction of cement storage and transport facilities and various investments to improve environmental protection conditions, to increase equipment reliability and to reduce in production costs.

In addition, CIMPOR – Indústria de Cimentos, S.A. obtained environmental and quality certificates for its three plants (Souselas, Alhandra and Loulé) in accordance with the ISO 14001:1999 and ISO 9001:2000 standards, respectively.

Concrete

— 65 Ready-mix Concrete Plants

In 2003, production of ready-mix industrial concrete in Portugal fell to around 11 million cubic meters, a 10% decrease compared to 2002. The CIMPOR Group sold slightly more than 3.7 million cubic meters of concrete, which, although it corresponds to a substantial decrease (8.4%), was not as great.

A more than 7% drop in the average sales price – due to lower demand and consequently higher competition – resulted in a 14.7% drop in Turnover and, despite savings in personnel costs, a drop in Operating Cash Flow of 4.8 million euros and the margin falling to less than 10%.

Concrete

	Unit	2003	2002	Var.
Concrete Sales	10^3 m^3	3,716	4,058	- 8.4%
Turnover	10^6 euros	194.1	227.6	- 14.7%
Payroll Expenses	10^6 euros	15.9	17.5	- 9.3%
Operating Cash Flow (EBITDA)	10^6 euros	18.8	23.6	- 20.3%
Operating income (EBIT)	10^6 euros	8.2	9.6	- 14.8%
Industrial Investment	10^6 euros	2.2	11.5	- 80.7%
Employees (31 Dec.)	units	434	525	- 17.3%
Turnover / Employee	10^3 euros	405	412	- 1.6%
Value added / Employee	10^3 euros	72	74	- 2.7%
EBITDA Margin		9.7%	10.4%	
EBIT Margin		4.2%	4.2%	

The decrease in amortisation, depreciation and provisions, compared to 2002, enabled Operating income to fall not more than 1.4 million euros and the EBIT margin to remain at 4.2%.

In order to maintain the Quality Management System up-to-date at Cimpor Betão Indústria and at Betão Liz, in 2003 this system was adapted to the ISO 9001:2000 standard by applying a process approach model that was audited and approved by the certification entity (APCER).

Aggregates

— 12 Production Units

Although standardised indicators are not available for the aggregate/inert sector in Portugal, it is estimated that the market in Mainland Portugal fell 10% in 2003, to an estimated 90 million tons, in addition to the previous year's 9% decrease.

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This slump also affected the Group, whose aggregate sales fell over 12%, both in quantity and Turnover, and Operating Cash Flow decreased 2.5 million euros (with the respective margin falling from 21.5% in 2002 to 18.8% in 2003).

Aggregates

	Unit	2003	2002	Var.
Aggregate Sales	10^3 ton	8,687	9,881	- 12.1%
Turnover	10^6 euros	43.7	49.7	- 12.2%
Payroll Expenses	10^6 euros	5.2	5.6	- 6.3%
Operating Cash Flow (EBITDA)	10^6 euros	8.2	10.7	- 23.0%
Operating income (EBIT)	10^6 euros	2.9	3.4	- 14.2%
Industrial Investment	10^6 euros	1.2	4.9	- 75.4%
Employees (31 Dec.)	units	228	254	- 10.2%
Turnover / Employee	10^3 euros	180	192	- 6.1%
Value added / Employee	10^3 euros	55	63	- 11.6%
EBIT Margin		18.8%	21.5%	
EBIT Margin		6.7%	6.8%	

The lower Operating income, as in the case of the lower production and sale of ready-mix concrete, was much less severe (only 500,000 euros), and thus the EBIT margin remained practically unaltered compared to 2002.

Mortar

— 2 Mortar Plants

In 2003, despite the limitations resulting from the general economic slowdown, the Portuguese dry mortar market maintained a slight growth trend, sustained in particular by demand from small and medium construction companies, particularly for bagged mortar.

The Group’s sales, concentrated in Ciarga, increased 10.3% in quantity and 6.8% in Turnover, with Operating Cash Flow increasing about 5% to an amount still below 1 million euros. Operating Results, although improving slightly, remained negative due to depreciation of the large investments made in the recent years.

At the end of 2003, certification of "bedding mortar" was already in the final stage. The process to obtain the CE mark, according to the EN 998 standard, was also in progress, for all types of mortar and the triple certification of Ciarga for Quality (ISO 9001), Environment (ISO 14001) and Hygiene and Occupational Safety (OHSAS 18001).

Mortar

	Unit	2003	2002	Var.
Sales	10^3 ton	146	132	10.3%
Turnover	10^6 euros	5.9	5.5	6.8%
Payroll Expenses	10^6 euros	0.8	0.8	2.9%
Operating Cash Flow (EBITDA)	10^6 euros	0.9	0.9	5.0%
Operating income (EBIT)	10^6 euros	- 1.3	- 1.4	n/a
Industrial Investment	10^6 euros	1.0	4.3	- 75.9%
Employees (31 Dec.)	units	28	30	- 6.7%
Turnover / Employee	10^3 euros	208	197	5.7%
Value Added / Employee	10^3 euros	62	60	2.9%
EBITDA Margin		15.4%	15.7%	
EBIT Margin		neg.	neg.	

Other Businesses

The item "Other Businesses" includes companies that render support to core activities – such as CTA (trading), Transviária (transport), Sacopor (production of paper bags for cement and lime), Celfa (production and sale of gypsum), and Cimadjuvantes and Vermofeira (marketing of admixtures and additives for concrete production) – and companies whose activities are related with cement consumption, but of a strategic nature, such as those making precast parts.

In 2003, the Cash Flow and Operating income of these companies amounted to 11.6 and 8.4 million euros, respectively.

2.3. Spain

The Spanish construction sector, which in 2003 increased by 3.6%, remains one of the essential pillars of Spanish economic growth. This increase was based mainly on residential construction (licensed living units increased by 6.7% over 2002) and large infrastructure investments (particularly railway) whose volume of civil works was nearly 6% higher than in 2002.

Within this setting, and according to the latest available data provided by *Oficemen* (professional association of the Spanish cement industry), in 2003 the cement market reached an apparent consumption of 46.1 million tons, a 4.4% rise over the previous year. This growth was not, however, experienced in all areas: some regions, mainly those where major railway and hydraulic infrastructures are being built (Murcia, Andalusia and Castilla La Mancha), greatly exceeded the national average, while others decreased their consumption (mainly in the Canaries and, for the second consecutive year, the Balearic Islands).

SPAIN BUSINESS AREA

	Unit	2003	2002	Var.
Turnover	10^6 euros	300.1	170.2	76.3%
Payroll Expenses	10^6 euros	41.2	27.6	49.4%
Operating Cash Flow (EBITDA)	10^6 euros	84.2	55.4	52.0%
Operating income (EBIT)	10^6 euros	53.2	40.2	32.2%
Net Income *	10^6 euros	30.5	28.2	8.1%
Capital Employed	10^6 euros	402.9	177.4	127.1%
Investment (net) in Fixed Assets				
Through Acquisitions / Disposals	10^6 euros	4.0	220.0	- 98.2%
Direct Investment	10^6 euros	23.4	15.4	52.2%
Employees (31 Dec.)	units	940	718	30.9%
Turnover / Employee	10^3 euros	323	235	37.7%
Value Added / Employee	10^3 euros	135	114	18.0%
EBITDA Margin		28.1%	32.5%	
EBIT Margin		17.7%	23.6%	
Return on Capital Employed (RoCE)		13.0%	21.7%	

* Before Minority Interests.

The markets where the Group operates – Galicia (2.9 million tons) and Andalusia (9.1 million tons) – had a strong growth of 5.7% and 9.1%, respectively.

With the Group's expansion to the Andalusia region, consolidated Turnover in Spain surpassed 300 million euros, 76% more than in the previous year. However, since cement prices in that region are lower than those in Galicia, and since the plants in Cordoba and Niebla and the grinding unit in Huelva need to acquire large quantities of clinker to produce all the cement that they sell, growth of Operating Cash Flow (that still increased over 50%) was not as significant and, consequently, the respective margin fell 4.4%.

Because of the higher amortisation and depreciation resulting from the acquisitions, the increase in Operating income also fell short of growth in Turnover, and therefore the EBIT margin decreased from 23.6% in 2002 to 17.7% in 2003, whilst Return on Capital Employed fell to 13% (8.7 percentage points less than in the previous year) due to the investments made.

Cement

- 4 Cement Plants
- 1 Cement Grinding Unit
- 9 Commercial Terminals

In Galicia, due to competition from a new operator, the sales growth (4.3%) of Corporación Noroeste did not keep pace with the region's growth and therefore its market share fell over 2% to 46.4%. In Andalusia, on reaching a sales volume of 2.2 million tons, the CIMPOR Group attained a market share of 23.1%, which allowed it to be ranked fifth in the Spanish cement market with a countrywide market share of nearly 8%.

The increased consolidation perimeter, resulted in an increase in Turnover to over 230 million euros (more than double that of the previous year). Galicia's share (about 108 million euros) fell slightly compared to 2002, due to lower sales prices caused by a change in the product mix and by greater competition.

This, combined with the other aforementioned reasons, slowed the growth of Operating Cash Flow and Operating income and caused the respective margins to drop. For those same reasons, margins in 2003 are not directly comparable with those obtained in 2002 when the Group operated only in Galicia with two cement plants that were self sufficient in clinker.

Cement

	Unit	**2003**	**2002**	Var.
Installed Capacity (1)	10^3 ton	2,640	1,600	65.0%
Use of Installed Capacity (2)		99.5%	96.4%	
Cement and Clinker Sales	10^3 ton	3,742	1,548	141.8%
Market Share		7.9%	3.4%	
Turnover	10^6 euros	231.6	109.0	112.4%
Payroll Expenses	10^6 euros	26.3	13.6	94.0%
Operating Cash Flow (EBITDA)	10^6 euros	77.2	50.2	53.7%
Operating income (EBIT)	10^6 euros	54.4	42.7	27.4%
Industrial Investment	10^6 euros	9.9	10.4	- 4.7%
Employees (31 Dec.)	units	515	317	62.5%
Turnover / Employee	10^3 euros	447	339	31.6%
Value Added / Employee	10^3 euros	200	199	0.6%
EBITDA Margin		33.3%	46.1%	
EBIT Margin		23.5%	39.2%	

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

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The major investments in 2003, were as follows: the construction of a new, fully automated 6,000-ton cement silo at the Oural plant; work carried out in Cordoba to recover the quarries and to sound proof the cement grinding units; and the replacement of the old electrofilters of the Niebla kiln with a state-of-the-art bag filter that reduced particle emissions from 150mg/Nm^3 in 2002 to 10 mg/Nm^3 in 2003.

In Cordoba, an environmental management system is being implemented in accordance with the ISO 14000 standard, a system that is also planned for Niebla for 2004.

Concrete

— 51 Ready-mix Concrete Plants

Concrete sales increased in quantity by 19%, mostly because of the contribution by the new plants acquired in Andalusia (seven). Without these plants, and without those that the Group already owned in Badajoz (three), sales would have still grown by 9.4% (corresponding to the Galicia units).

Since sales prices in Andalusia are much lower than those in Galicia, and the latter having decreased slightly compared to 2002, growth in both Turnover (16.3%) and Operating Cash Flow (13.7%) was slightly less than the increase in production. Nevertheless, the EBITDA margin remained practically the same at 2.9%, whereas the EBIT margin, although improving slightly, remains only marginally positive.

In addition, in this area, a research project being developed with the autonomous government of Galicia to determine whether it is possible to recycle construction waste and use it for concrete production.

Concrete

	Unit	2003	2002	Var.
Concrete Sales	10^3 m^3	1,897	1,591	19.2%
Turnover	10^6 euros	94.6	81.3	16.3%
Payroll Expenses	10^6 euros	7.6	6.9	9.0%
Operating Cash Flow (EBITDA)	10^6 euros	2.7	2.4	13.7%
Operating Income (EBIT)	10^6 euros	0.3	0.1	486.8%
Industrial investment	10^6 euros	12.3	3.0	308.5%
Employees (31 Dec.)	units	245	228	7.5%
Turnover / Employee	10^3 euros	410	355	15.3%
Value Added / Employee	10^3 euros	45	41	9.2%
EBITDA Margin		2.9%	2.9%	
EBIT Margin		0.3%	0.1%	

Investment is also being made in the installation of recycling facilities at all the ready-mix concrete plants (one in every three plants already has this equipment).

Aggregates

— 11 Aggregates Production Units

The sale of aggregates also increased in quantity (16.7%) and exceeded 3.5 million tons. Even when excluding the new quarry acquired in Andalusia, the increase topped 10%, in contrast to the 10% decrease in 2002.

Aggregates

	Unit	2003	2002	Var.
Sale of Aggregates	10^3 ton	3,504	3,002	16.7%
Turnover	10^6 euros	15.9	13.1	21.8%
Payroll Expenses	10^6 euros	3.2	3.1	4.4%
Operating Cash Flow (EBITDA)	10^6 euros	3.8	2.7	38.5%
Operating income (EBIT)	10^6 euros	2.3	1.3	74.6%
Industrial Investment	10^6 euros	3.1	1.4	119.2%
Employees (31 Dec.)	units	120	113	6.2%
Turnover / Employee	10^3 euros	133	115	15.4%
Value Added / Employee	10^3 euros	58	51	14.0%
EBITDA Margin		23.6%	20.7%	
EBIT Margin		14.3%	10.0%	

Contrary to other activities, the sale of aggregates benefited also from increased prices in the region of Galicia (on average over 4%), which resulted in a 21.8% increase in Turnover, 38.5% in Operating Cash Flow and nearly 75% in Operating income.

Mortar

— 1 Mortar Plant

Mortar sales maintained the growth trend of the past few years, increasing 15.4% in volume and, due to higher sales of bagged mortar, 22.4% in value.

Operating Cash Flow exceeded 2 million euros, with the respective margin falling slightly, from 27.6% in 2002 to 27.0% in 2003. However, due to lower amortisation and depreciation, Operating income increased both in absolute amount (almost 400,000 euros) and in percentage of Turnover (1.6%).

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Mortar

	Unit	2003	2002	Var.
Sales	10^3 ton	150	130	15.4%
Turnover	10^6 euros	7.9	6.4	22.4%
Payroll Expenses	10^6 euros	0.5	0.4	15.9%
Operating Cash Flow (EBITDA)	10^6 euros	2.1	1.8	19.9%
Operating income (EBIT)	10^6 euros	1.5	1.1	33.6%
Industrial Investment	10^6 euros	1.6	0.2	846.2%
Employees (31 Dec.)	units	15	15	0.0%
Turnover / Employee	10^3 euros	524	469	11.5%
Value Added / Employee	10^3 euros	172	158	8.6%
EBITDA Margin		27.0%	27.6%	
EBIT Margin		19.3%	17.7%	

2.4. Morocco

Programs to build basic infrastructures and to recover deteriorated housing, the expansion of the railway system, the start of construction of the new port of Tangier and investments in the new tourist zones have led to a growth in construction and public works of over 4%, after a period of near stagnation in 2002. Consequently, Morocco's cement sales reached almost 9.3 million tons, a 9.3% increase over the previous year.

MOROCCO BUSINESS AREA

	Unit	2003	2002	Var.
Turnover	10^6 euros	56.1	49.3	13.8%
Payroll Expenses	10^6 euros	4.7	4.7	0.8%
Operating Cash Flow (EBITDA)	10^6 euros	25.4	22.5	12.8%
Operating income (EBIT)	10^6 euros	17.5	13.1	33.7%
Net income	10^6 euros	11.1	10.2	9.3%
Capital Employed	10^6 euros	57.6	59.6	- 3.4%
Industrial Investment	10^6 euros	8.2	4.3	89.5%
Employees (31 Dec.)	units	219	262	- 16.4%
Turnover / Employee	10^3 euros	225	190	18.4%
Value Added / Employee	10^3 euros	121	105	15.2%
EBITDA Margin		45.3%	45.6%	
EBIT Margin		31.1%	26.5%	
Return on Capital Employed (RoCE)		21.1%	14.0%	

The year of 2003 was again very favourable for the Morocco Business Area. Profitability continues to grow, with consolidated Net income from its operations (cement, concrete and aggregates) surpassing 11 million euros (9.3% greater than in 2002).

Cement

1 Cement Plant

Asment of Témara had sales of 810,000 tons, for a growth slightly above the market rate (9.8%) and corresponding to a market share of 8.7%. Despite this growth and an average sales price nearly 3% higher, in local currency, the strengthening of the euro against the dirham limited the rise in Turnover in euros to 8.4% (52.5 million euros).

Cement

	Unit	2003	2002	Var.
Installed Capacity (1)	10^3 ton	870	890	- 2.2%
Use of Installed Capacity (2)		86.9%	91.1%	- 4.6%
Cement and Clinker Sales	10^3 ton	822	739	11.2%
Market Share		8.7%	8.7%	0.5%
Turnover	10^6 euros	52.5	48.4	8.4%
Payroll Expenses	10^6 euros	4.5	4.5	- 0.1%
Operating Cash Flow (EBITDA)	10^6 euros	24.5	22.2	10.3%
Operating income (EBIT)	10^6 euros	17.2	13.4	28.7%
Industrial Investment	10^6 euros	7.8	2.7	192.9%
Employees (31 Dec.)	units	200	244	- 18.0%
Turnover / Employee	10^3 euros	227	197	15.0%
Value Added / Employee	10^3 euros	126	109	15.2%
EBITDA Margin		46.7%	45.9%	
EBIT Margin		32.8%	27.6%	

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

Both Operating Cash Flow and Operating income increased significantly, despite the need to purchase clinker to meet demand, the corresponding margins having increased 0.8% and 5.2%, respectively, to levels that are the highest among the Group's companies. Optimisation of the workforce, which decreased by 18% between December 2002 and December 2003, was decisive not only to improve the results but also to increase all the performance indicators of Asment de Témara.

Some of the investments made were as follows: conclusion of the work to optimise the cement grinding unit 1; the homogenisation silo was altered to operate continuously;

construction began on a new 30,000-ton clinker silo; a contract was awarded to expand the clinker production line (by 800 tons/day) in 2004.

The quality certification system at the Asment de Témara plant will switch to the ISO 9001:2000 standard.

Concrete and Aggregates

- 2 Ready-mix Concrete Plants
- 1 Aggregates Production Unit

With the new Casablanca ready-mix concrete plant, concrete sales increased to almost 100,000 cubic meters, while aggregate production remained stable at about 200,000 tons. In total, Turnover of Betocim reached nearly 6 million euros.

This sales growth more than tripled Operating Cash Flow, with the EBITDA margin rising from 10.8% in 2002 to 14.5% in 2003 and, for the first time, resulted in an Operating income.

2.5. Tunisia

In 2003, sales of binders (cement and hydraulic lime) in the Tunisian market totalled 5.6 million tons, 3.3% less than in the previous year. Quantities of these products sold by Ciments de Jbel Oust (CJO) fell slightly more (3.6%), and therefore its 25.5% market share decreased slightly. Nevertheless, by taking advantage of an opportunity to place 80,000 tons of clinker, overall sales of CJO reached practically 1.5 million tons, an almost 2% increase over 2002.

Liberalisation of sales prices was again delayed. As in the previous year, the government chose to administratively increase prices by 6% (and at the same time eliminated the previous consumption tax of 1.2 dinars/ton).

Cement

- 1 Cement Plant

Tunisia's currency fell more than 10% against the euro (based on the average yearly exchange rate), resulting in a decrease in Turnover in euros, to slightly less than 55 million euros (a 4.6% decrease).

However, the good performance of the whole production apparatus, by overcoming the need to purchase clinker from third parties, caused Operating Cash Flow to increase by nearly

27% and the respective margin to rise from 18.3% in 2002 to 24.3% in 2003. Consequently, for the first time the company had an Operating income and a positive Return on Capital Employed, Net income having amounted to 6.3 million euros, a more than 150% rise.

TUNISIA BUSINESS AREA — Cement

	Unit	2003	2002	Var.
Installed Capacity (1)	10^3 ton	1,570	1,550	1.3%
Use of Installed Capacity (2)		86.2%	77.5%	
Cement and Clinker Sales	10^3 ton	1,498	1,471	1.8%
Market Share		25.5%	25.6%	
Turnover	10^6 euros	54.9	57.6	- 4.6%
Payroll Expenses	10^6 euros	3.3	3.3	- 1.3%
Operating Cash Flow (EBITDA)	10^6 euros	13.3	10.5	26.9%
Operating income (EBIT)	10^6 euros	4.5	- 0.7	n/a
Net income	10^6 euros	6.3	2.5	156.9%
Capital Employed	10^6 euros	115	119	- 3.2%
Industrial Investment	10^6 euros	13.3	13.3	0.0%
Employees (31 Dec.)	units	245	249	- 1.6%
Turnover / Employee	10^3 euros	221	242	- 8.8%
Value Added / Employee	10^3 euros	67	58	14.9%
EBITDA Margin		24.3%	18.3%	
EBIT Margin		8.2%	neg.	
Return on Capital Employed (RoCE)		3.9%	neg.	

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

The main investments in 2003 were the replacement of the kiln actuation system, the installation of an "autopack" mechanical loader, the start of construction a charcoal mill and the installation of a bag palletising system.

The quality certificate of the CJO plant was renewed according to the ISO 9001:2000 standard.

2.6. Egypt

According to figures supplied by the local cement manufacturer's organisation, the respective sales in Egypt in 2003 fell 4.8%, corresponding to a drop of nearly 1.6 million tons in consumption. Due to the excess installed capacity and highly competitive production costs, there was a strong growth in exports (of both clinker and cement), which eased the pressure on sales prices in the domestic market.

Egypt's prices, despite having increased 18% on average in local currency, fell 20% in euros due to major appreciation of the euro against the Egyptian pound.

EGYPT BUSINESS AREA — Cement

	Unit	2003	2002	Var.
Installed Capacity (1)	10^3 ton	2,390	2,390	0.0%
Use of Installed Capacity (2)		86.4%	74.1%	
Cement Sales	10^3 ton	2,108	2,203	- 4.3%
Market Share		8.2%	8.2%	
Turnover	10^6 euros	55.4	73.8	- 25.0%
Payroll Expenses	10^6 euros	3.9	5.3	- 27.4%
Operating Cash Flow (EBITDA)	10^6 euros	21.3	16.9	25.8%
Operating income (EBIT)	10^6 euros	6.3	- 6.6	n/a
Net income	10^6 euros	- 3.9	- 5.8	n/a
Capital Employed	10^6 euros	198	283	- 30.1%
Industrial Investment	10^6 euros	40.9	44.5	- 8.1%
Employees (31 Dec.)	units	642	833	- 22.9%
Turnover / Employee	10^3 euros	80	79	0.6%
Value Added / Employee	10^3 euros	36	24	51.7%
EBITDA Margin		38.4%	22.9%	
EBIT Margin		11.4%	neg.	
Return on Capital Employed (RoCE)		1.9%	neg.	

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

Cement

1 Cement Plant

In 2003, sales by the Amreyah Cement Company amounted to about 2.1 million tons (4.3% less than in the previous year), representing a market share of 8.2%.

The devaluation of the Egyptian pound (of over 30% against the euro in terms of the annual average exchange rate) led to a 25% decrease in Turnover in euros, a drop of over 18 million euros. Nevertheless, the almost exclusive use of own clinker and the effort to optimise the workforce has led to a significant decrease in costs, that has enabled Operating Cash Flow, even in terms of euros, to increase by 25.8% and the respective margin to increase from 22.9% in 2002 to 38.4% in 2003.

Operating Results – that were a loss in the previous year – were a profit of 6.3 million euros, corresponding to an EBIT margin of 11.4% and a Return on Capital Employed that, although positive, that is still clearly insufficient (1.9%). The company continued to have a net loss, although less than the preceding year, due to financial expenses incurred for the new line and the costs incurred to reduce the number of employees.

Investments were made essentially in continuation of the construction and assembly of the production line of Amreyah Cimpor Cement Company (ACCC), which was completed in 2004. This production line, besides meeting the Group's local clinker needs, will also make it possible for the company to generate a substantial surplus of clinker for export.

Investment was also made in completing the natural gas infrastructures to supply gas to the two companies, the respective supply contract having been signed (valid for 25 years), and work began to install new management software (SAP).

2.7. Brazil

Brazil's construction sector experienced a substantial slowdown for the third year running, falling 8.6% in 2003. The slump reflects lower wages and budget cuts in public investment. The construction sector's lower production is shown by its percentage of the Brazilian GDP: in five years, it fell from 10.1% to merely 7.0%.

BRAZIL BUSINESS AREA

	Unit	2003	2002	Var.
Turnover	10^6 euros	223.5	255.4	- 12.5%
Payroll Expenses	10^6 euros	17.2	17.5	- 1.8%
Operating Cash Flow (EBITDA)	10^6 euros	115.5	130.8	- 11.7%
Operating Income (EBIT)	10^6 euros	91.7	104.0	- 11.8%
Net income	10^6 euros	78.4	76.4	2.6%
Capital Employed	10^6 euros	262	254	3.2%
Industrial Investment	10^6 euros	22.0	45.8	- 52.0%
Employees (31 Dec.)	units	1,096	1,095	0.1%
Turnover / Employee	10^3 euros	206	250	- 17.8%
Value Added / Employee	10^3 euros	122	145	- 16.0%
EBITDA Margin		51.7%	51.2%	
EBIT Margin		41.0%	40.7%	
Return on Capital Employed (RoCE)		28.8%	25.2%	

Within this setting, apparent cement consumption was a mere 33.8 million tons, an 11% drop compared to 2002 and a 16% drop compared to 1999 (the last year when cement consumption rose). Per capita, cement consumption fell from 246 kg/inhabitant in 1998 to only 191 kg/inhabitant in 2003. The north and south regions, with decreases of 4%, were the only regions where consumption fell less than 10% in 2002, whereas in the northeast region consumption fell 16.5%.

Despite depreciation of the real against the euro, of almost 25% (in terms of average annual exchange rates), Turnover in Brazil, due to good cement prices, did not decrease more than 12.5%, having amounted to 225 million euros. Both Operating Cash Flow and Operating income decreased nearly 12% - whereas the respective margins increased slightly compared to 2002 – whilst Net income (78.4 million euros) actually increased slightly.

In any event, this Business Area lost some of its relative importance within the Group: from 2002 to 2003, its Turnover (excluding intra-Group transactions) decreased from 19.4% to 16.4%; its Operating Cash Flow fell from 25.6% to 22.5%; and its contribution to the Group's Operating income fell from 26.0% to 21.2%.

Cement

- 6 Cement Plants
- 2 Cement Grinding Units

Cement

	Unit	2003	2002	Var.
Installed Capacity (1)	10^3 ton	5,100	4,890	4.3%
Use of Installed Capacity (2)		66.8%	74.2%	
Cement Sales	10^3 ton	3,242	3,692	- 12.2%
Market Share		9.5%	9.7%	
Turnover	10^6 euros	209.8	240.0	- 12.6%
Payroll Expenses	10^6 euros	14.6	15.6	- 6.3%
Operating Cash Flow (EBITDA)	10^6 euros	116.4	130.9	- 11.1%
Operating income (EBIT)	10^6 euros	93.6	104.9	- 10.8%
Industrial Investment	10^6 euros	21.2	44.4	- 52.3%
Employees (31 Dec.)	units	866	880	- 1.6%
Turnover / Employee	10^3 euros	242	282	- 13.9%
Value Added / Employee	10^3 euros	151	172	- 12.0%
EBITDA Margin		55.5%	54.6%	
EBIT Margin		44.6%	43.7%	

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

In 2003, the Group's cement sales in Brazil totalled 3.2 million tons (13.1% less than in the previous year), representing a market share of 9.5% (9.7% in 2002). Cement exports of nearly 33,000 tons to Nigeria helped to reduce the decrease, which was a little more than 12%.

The increase in average sales prices, excluding depreciation of the real against the euro, resulted in Turnover, Operating Income and Operating Cash Flow decreasing by similar relative amounts (between 10.8% and 12.6%), with the EBITDA and EBIT margins increasing to 55.5% and 44.6%, respectively.

The new Campo Formoso clinker production line began operating in July 2003. This line, combined with investments in the João Pessoa plant, allowed the Group to increase its Brazilian cement production capacity with own clinker by about 900,000 tons per year.

All the plants had their quality certifications updated to the ISO 9001:2000 standard, Cimepar (João Pessoa) was granted an environmental management certificate in accordance with the ISO 14001 standard, and work began to obtain the OHSAS 18001 (Occupational Health and Safety Management) and the Total Quality Assurance System certifications.

Concrete and Mortar

- 19 Ready-mix Concrete Plants
- 2 Mortar Plants

The purchase of 15 ready-mix concrete plants, in the middle of the previous year, helped concrete sales to increase 25% in 2003, reaching about 325,000 cubic metres.

However, since concrete sales prices did not keep up with cement prices, Turnover dropped by 9.9%, when expressed in euros, and this activity's results became even more negative.

In the production and sale of mortar sector, sales decreased 8.6% in quantity and the company continued to incur an Operating Loss.

2.8. Mozambique

In 2003, cement production in Mozambique increased by nearly 17.5%, to an estimated quantity of 675,000 tons. This growth was felt particularly in the southern region where production shot up nearly 40%.

Despite depreciation of the metical (16.5% against the euro, in terms of the average yearly exchange rate), the Group's Turnover increased 12.7%, reaching 42.5 million euros. Higher sales, combined with operating improvements in the last two years, led to a nearly 60% increase in Operating Cash Flow and a consequent increase of practically 8% in the margin (from 19.5% in 2002 to 27.4% in 2003).

Operating Results, which in the previous year were a marginally negative, amounted to a profit of nearly 6 million euros, with the EBIT margin and the Return on Capital

Employed increasing to 14% and 8.7%, respectively. Although this Business Area is still subject to high financial expenses, the company incurred a Net income for the first time.

MOZAMBIQUE BUSINESS AREA

	Unit	2003	2002	Var.
Turnover	10^6 euros	42.5	37.7	12.7%
Payroll Expenses	10^6 euros	3.6	3.7	- 3.3%
Operating Cash Flow (EBITDA)	10^6 euros	11.7	7.3	58.7%
Operating income (EBIT)	10^6 euros	5.9	0.4	n/a
Net income (Loss)	10^6 euros	1.0	- 4.2	n/a
Capital Employed	10^6 euros	60.2	76.0	- 20.8%
Industrial Investment	10^6 euros	1.4	3.2	- 54.6%
Employees (31 Dec.)	units	483	567	- 14.8%
Turnover / Employee	10^3 euros	82	65	26.9%
Value Added / Employee	10^3 euros	29	19	55.5%
EBITDA Margin		27.4%	19.5%	
EBIT Margin		14.0%	1.0%	
Return on Capital Employed (RoCE)		8.7%	0.5%	

Cement

- 1 Cement Plant
- 2 Cement Grinding Units

In 2003, cement sales in Mozambique totalled 595,000 tons, 22.3% more than in the previous year, thereby increasing market share from 84.5% to 88.1%. Turnover exceeded 40 million euros, representing an increase of 16.3%.

In industrial terms, the company maintained its technology updating program, for which it made some investments to stabilise its cement production capacity. Despite some persistent performance obstacles (in particular the unreliable railway service for transporting limestone), savings from using a lower clinker mix and lower energy consumption, combined with cost cutting measures and personnel streamlining, enabled the company to increase its Operating Cash Flow by 4.5 million euros (an increase of over 65% over the previous year).

With Operating income leaping from an almost insignificant amount in 2002 to nearly 6 million euros in 2003, the EBIT margin increased from merely 0.9% to 14.7% in one year.

In addition Cimentos de Moçambique made a capital increase (of 320 billion meticals), which allowed the Group to increase its participation in the company to 65.4%, and to acquire additional major limestone reserves.

Cement

	Unit	2003	2002	Var.
Installed Capacity (1)	10³ ton	760	730	4.1%
Use of Installed Capacity (2)		47.6%	39.0%	
Cement Sales	10³ ton	595	486	22.3%
Market Share		88.1%	84.5%	
Turnover	10⁶ euros	40.2	34.6	16.3%
Payroll Expenses	10⁶ euros	3.0	3.2	- 7.1%
Operating Cash Flow (EBITDA)	10⁶ euros	11.4	6.9	65.2%
Operating income (EBIT)	10⁶ euros	5.9	0.3	n/a
Industrial Investment	10⁶ euros	1.4	3.2	- 54.6%
Employees (31 Dec.)	units	394	468	- 15.8%
Turnover / Employee	10³ euros	95	72	32.6%
Value Added / Employee	10³ euros	34	21	62.0%
EBITDA Margin		28.4%	20.0%	
EBIT Margin		14.7%	0.9%	

(1) Cement production capacity using own clinker (average for the year).
(2) Clinker production / Installed capacity (clinker).

Concrete and Precast Parts

In 2003, because some works began late and because of strong competition, ready-mix concrete production did not exceed 35,000 cubic meters, a decrease of more than 30% in relation to the previous year. As a result of the 40% drop in Turnover (in euros), Operating Cash Flow fell by 67%, and the respective margin fell to a mere 6.8% (compared to 11.5% in 2002). Within this context, and because of the weight of amortisation and depreciation, the company incurred a small Operating Loss.

Turnover of precast parts increased 50% as a result of higher production and sales of electricity transmission posts and columns. These products are of a greater value added than the traditional cement blocks and enabled Premap to obtain a Net income for the first time.

2.9. South Africa

In 2003, the South African cement market had substantial growth of 6%, repeating its performance for 2002. Once again, the higher consumption in the province of KwaZulu-Natal – the hub of the Group's operations through Natal Portland Cement (NPC) – exceeded the market average and reached 1.4 million tons, an 11.3% gain over the previous year.

CONTENTS

SOUTH AFRICA BUSINESS AREA — Cement

	Unit	2003	2002*	Var.
Installed Capacity (1)	10^3 ton	1,010	1,010	0.0%
Use of Installed Capacity (2)		92.4%	88.5%	
Cement and Clinker Sales	10^3 ton	1,033	890	16.0%
Market Share		11.4%	10.4%	
Turnover	10^6 euros	69.2	45.2	53.1%
Payroll Expenses	10^6 euros	5.8	5.2	11.2%
Operating Cash Flow (EBITDA)	10^6 euros	31.2	16.6	87.5%
Operating income (EBIT)	10^6 euros	26.5	14.7	80.2%
Net income	10^6 euros	19.1	10.0	90.5%
Capital Employed	10^6 euros	33.5	33.4	0.5%
Industrial Investment	10^6 euros	1.8	0.7	153.5%
Employees (31 Dec.)	units	332	340	- 2.4%
Turnover / Employee	10^3 euros	207	132	57.0%
Value Added / Employee	10^3 euros	111	64	73.6%
EBITDA Margin		45.1%	36.8%	
EBIT Margin		38.4%	32.6%	
Return on Capital Employed (RoCE)		54.8%	30.2%	

* Although the company became part of the CIMPOR Group only at the end of the 3rd quarter, for comparative purposes these figures refer to the whole year.

(1) Cement production capacity using own clinker (average for the year).

(2) Clinker production / Installed capacity (clinker).

The construction of new tourist infrastructures, the expansion and improvement of the port of Durban, the building of hospitals and schools, the repaving of roads using ready-mix concrete and the higher housing demand in the coastal area were the major factors boosting that region's growth, allowing NPC to increase its cement sales to over 1 million tons. These sales represented a 16% growth over 2002 and NPC's market share rose from 10.4% in 2002 to 11.4% in 2003. Regionally (within the province of KwaZulu-Natal), its market share rose to 73.0% (3% more than in the previous year).

Cement

- 1 Clinker Plant
- 1 Cement Grinding Unit
- 1 Slag Grinding Unit

In 2003, because of greater sales, higher sales prices in local currency and the rand's strong appreciation over the euro (over 16%, in terms of the annual average), NPC's Turnover increased more than 50% over 2002 (the year in which the company was acquired and in which it was included in the consolidation only as from the end of the 3rd quarter).

With over 90% of the installed capacity used, Operating Cash Flow exceeded 30 million euros, an 87.5% increase over the previous year. The improved EBITDA margin – from 36.8% in 2002 to 45.1% in 2003 – is a good indication of this Business Unit's increase in profitability, also shown by the near doubling of Net income (also obtained from the significant increase in investment income).

A project is currently being carried out to evaluate the possibility of using alternative fuels and other materials, for which the necessary environmental study has already been made. In addition, the three manufacturing units of NPC were granted quality certification in accordance with the ISO 9001:2000 standard.

3. Research and Development

3.1. R&D Policy

The cement production process, although stable and mature, has evolved to increasingly more sophisticated technology. Throughout the years, the CIMPOR Group has acquired and developed the know-how to continuously enhance the productivity, operating and environmental performance of its industrial units and the quality of its products.

Through CEDI – Centro Técnico e de Desenvolvimento Industrial, and with the support of the various Business Units, the Group has applied this know-how to regularly modernised and renovated its plants and the plants that it has acquired. Whenever justified, it has implemented the latest technological innovations and the best available techniques and practices.

With this purpose in mind, in 2003 a benchmarking methodology was consolidated for all the CIMPOR plants, enabling their respective operating performances to be compared (not only internally, but also with units of other best-in-class companies), which will be an essential instrument to improve the Group's performance.

CIMPOR also maintained its policy to increase production and sales of composite cements, particularly in Portugal and Spain, in view of the new "cap and trade" regulations to be applied as from 2005 to restrict CO_2 emissions by a number of European industries, including the cement sector. The general use of composite cements, by reducing the clinker/cement ratio, will decrease not only the emissions of greenhouse gases (CO_2) but also the consumption of raw materials and fuel, with all the respective technical and economic advantages. The method calls for mixing cement with clinker and smaller amounts of additives such as blast furnace slag and fly ash from thermoelectric power plants, thereby freeing these industries of these materials. Moreover, concrete made with this type of cement has much lower porosity, making it particularly recommended for applications adjacent to maritime environments or at hydraulic works. Market factors, tradition, technical requirements or certain local standards will, in most cases, be the only limitation to the Group's capacity to continue intensifying the production and marketing of these types of cements.

In 2003, the Group continued to carry out research for mixing cement with natural and artificial pozzolanas, after conclusion of the tests in 2002 for the production of artificial pozzolanas (calcined clay) and the building of specific facilities for that purpose (in Cajati and João Pessoa, Brazil).

CIMPOR has also been studying means to recycle waste from the construction and demolition of buildings. This waste may be used as inert material in the production of concrete and as raw material for clinker production. Some preliminary experiments have already been carried out (particularly in Alhandra, where a project was developed to use waste from the demolition of old silos and buildings at the plant).

Besides the search for new formulations, the Group also continued to develop tools to meet the needs of various client groups with the objective of facilitating their selection and application of the Group's products. On-site customer support by the commercial-technical services and the supply of detailed technical files and other types of useful information are essential for the ongoing follow-up which the group intends to carry out. The Group has an Internet site where clients may select the appropriate products for the more common applications.

3.2. Quality Management

CIMPOR has implemented an ongoing improvement process to increase the company's competitiveness and to meet the expectations of its clients, personnel and shareholders. Since 2001, CIMPOR Indústria (Portugal) has had a Total Quality Management system based on the EFQM – European Foundation for Quality Management model. This process – which began in Portugal in January 1999 – will be expanded in the future to the whole Group. Meanwhile, CIMPOR Indústria has already begun preparing itself for presentation, possibly in the current year, of its application for the "Excellence Award" given by the Portuguese Quality System.

In 2003, all the Group's cement and hydraulic lime production units (except those in Mozambique) have adapted their respective Quality Management System (SGQ) to the ISO 9001:2000 standard. All the units (in Portugal, in joint terms) obtained the corresponding certification in accordance with the new version of the standard. Certification was also obtained by CIMPOR Betão, Betão Liz and Jomatel, the Portuguese ready-mix concrete companies.

The Quality Management Department (GGQ), that is responsible for coordinating the Central Laboratory's activities, has played an important role, at the request of clients or by recommendation of the technical services, in developing and optimising various types of cement, particularly composite cement, to appropriately and economically meet a wide range of market needs. The Central Laboratory, which is located in Lisbon, has carried out various activities to develop and improve the Group's products, and has performed proficiency tests and analysed manufacturing methods, in an effort to achieve excellence and to obtain synergies with similar services of the various Business Units responsible for adapting products to the availability of raw materials and to local market conditions.

4. Sustainable Development

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

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

4.1. Cement Sustainability Initiative (CSI)

CIMPOR supports the Sustainable Development concept as a means of meeting, on an equal footing, concerns about economic, environmental and social issues associated with its operations. In 1997, the Group clearly expressed that support by joining the WBCSD – World Business Council for Sustainable Development.

Started in 1999, the CSI – Cement Sustainability Initiative project is a contribution by ten of the world's major cement companies, including CIMPOR, to apply that concept to the cement sector under the supervision of WBCSD.

Although over the years these ten cement companies have been developing their own projects in this area, for the first time the "Cement Sustainability Initiative" has united these companies to jointly meet the challenges common to the whole sector and society in general.

After performing an independent research program and having consulted the interested parties, in July 2002 these companies signed and launched an "Action Plan" called Our Agenda for Action. This plan identifies six key areas for progress towards a more sustainable society: Climate Protection, Fuels and Raw Materials, Personnel Health and Safety, Lower Emissions, Local Impacts and Internal Management Systems.

Specific work groups have been set up in each of these areas involving the sector's specialists and individuals outside the sector. In 2003, this group of companies carried out various joint projects and individual implementation actions, in accordance with the themes listed in the "Action Plan." These actions included the CO_2 protocol and the directives covering the use of Fuels and Raw Materials, Health and Safety, the evaluation of Environmental and Social Impacts and the development of Performance Indicators (KPI's).

In November 2003, a two-day CSI work meeting was held in Brussels, attended by a large number of international stakeholders from the cement industry. The meeting was used to summarise the project's progress and to obtain suggestions for future analysis from the work teams of the various participating companies.

In 2007, the CSI is expected to issue a global report on the progress of each project, as well as a work plan for the next five years, a document to be preceded by an interim report in 2005.

By publishing its first Sustainability Report in 2003, CIMPOR sought to provide answers to these concerns. It aimed to provide the Group with better knowledge of its strategies and management policy, as well as to mobilise everyone working on this matter. This process will decisively affect the future by helping to create a stronger internal feeling of cohesion and determination to fulfil the Group's goals.

The United Nations at the Johannesburg Earth Summit recognised the current interest in these types of initiatives, in harmony with the principles and objectives of Sustainable Development. It therefore classified the CSI, which takes up eight sections of the so-called Agenda 21, as a Type II Partnership, and included the project's summary in its site (www.johannesburgsummit.org).

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

ACTION PLAN SUMMARY

Joint Projects	Individual Company Actions
The Cement Sustainability Initiative intends to create joint projects to:	As part of our ongoing commitment to good practice and innovation in sustainable development, companies agree to:
Climate Protection	
— develop a **Carbon Dioxide (CO_2) Protocol** for the cement industry (Project already delivered). — work with **WBCSD/World Resources Institute (WRI)** and other organizations to investigate public policy and market mechanisms for reducing CO_2 emissions.	— use the tools set out in the CO_2 protocol to define and make public their baseline emissions. — develop a climate change mitigation strategy, and publish targets and progress by 2006. — report annually on CO_2 emissions in line with the protocol.
Fuel and Raw Materials	
— develop a set of guidelines for the responsible use of conventional and alternative fuels and raw materials in cement kilns.	— apply the guidelines developed for fuel and raw material use.
Employee Health and Safety	
— set up a Health and Safety Task Force. (Project already delivered). — establish a Health and Safety information exchange.	— respond to the recommendations of the Health and Safety Task Force on systems, measurement and public reporting.
Emissions Reduction	
— develop an industry protocol for measurement, monitoring and reporting of emissions, and find solutions to more readily assess emissions of substances such as dioxins and volatile organic compounds.	— apply the protocol for measurement, monitoring and reporting of emissions. — make emissions data publicly available and accessible to stakeholders by 2006. — set emissions targets on relevant materials and report publicly on progress.
Local Impacts	
— develop guidelines for an **Environmental and Social Impact Assessment** (ESIA) process which can be used at all cement plant sites and associated quarries.	— apply the ESIA guidelines, and develop tools to integrate them into decision making processes. — draw up rehabilitation plans for their operating quarries and plant sites, and communicate them to local stakeholders by 2006.
Internal Business Processes	
— investigate methods to track the performance of the cement industry, including development and use of key performance indicators. — produce a full progress report after 5 years, and an interim report after 3 years.	— integrate sustainable development programmes into existing management, monitoring and reporting systems. — publish a statement of business ethics by 2006. — establish a systematic dialogue process with stakeholders to understand and address their expectations. — report progress on developing stakeholder engagement programs. — develop documented and auditable environmental management systems at all plants.

4.2. Environmental Management

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

MAJOR MILESTONES OF THE CIMPOR GROUP'S ENVIRONMENTAL POLICY

- **1995** – CIMPOR Indústria launched its Environmental Policy – its action principles and strategic environmental goals to be recorded in the EMAS (Eco-management Auditing System) were laid out and announced publicly.
- **1996** – Creation of CIMPOR Indústria's Environmental Management System (SGA) and of its organisational structure.
- **1997** – CIMPOR joined the World Business Council for Sustainable Development (WBCSD) to understand and gradually incorporate the Sustainable Development principles in its business strategy.
- **1998** – Definition of a set of indicators, in particular of eco-efficiency, to be applied in the Environmental Report issued by CIMPOR Indústria.
- **1999** – Signed the "Ongoing Environmental Performance Improvement Contract for the Cement Sector" with the Portuguese government.
- **1999** – Publication of the first Environmental Report (Portugal).
- **1999** – CIMPOR became a founding member of the Cement Sustainability Initiative (CSI), under the supervision of WBCSD.
- **2001** – The Business Council for Sustainable Development (BCSD Portugal) was created by initiative of CIMPOR and another 35 Portuguese companies or companies operating in Portugal, which became part of the vast regional network of WBCSD.
- **2002** – CIMPOR, jointly with another nine international cement companies, signed and launched the five-year action plan called Our Agenda for Action, according to the Cement Sustainability Initiative.
- **2002** – Start of the work to create and approve a set of indicators applied to the Sustainable Development Report for the CIMPOR Group.
- **2002** – Monitoring of CO_2 emissions by the Group's plants in Portugal, in accordance with the *CO_2 Protocol*, developed as part of CSI – jointly with WBCSD and the World Resources Institute (WRI) – and within the framework of the GHG Protocol Initiative, work that has started being expanded to the Group's other plants.
- **2003** – Certification of the environmental management system for the plants of Alhandra, Souselas and Loulé, Portugal, according to the ISO 14001:1996 standard.
- **2003** – Publication of the first Sustainability Report by the CIMPOR Group.
- **2003** – Evaluation of the financial impact on the Group's companies (Portugal and Spain) of the introduction in 2005, in the European market, of CO_2 emission licences.

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

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

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

To date CIMPOR Indústria has operated as a launching pad for most of the Group's initiatives in this field. Its policy is to gradually extend current practices in Portugal to the other Business Areas.

CERTIFICATION STATUS OF THE GROUP'S ENVIRONMENTAL MANAGEMENT SYSTEMS

Cement Plants and Grinding Units:	
Alhandra (Portugal)	ISO 14001:1996 + EMAS (in progress)
Souselas (Portugal)	ISO 14001:1996 + EMAS (in progress)
Loulé (Portugal)	ISO 14001:1996 + EMAS (in progress)
Córdoba (Spain)	ISO 14001:1996
Niebla (Spain)	ISO 14001:1996 (in progress)
Jbel Oust (Tunisia)	ISO 14001:1996 (in progress)
Amreyah Cement Company (Egypt)	ISO 14001:1996
João Pessoa (Brazil)	ISO 14001:1996 (in progress)
Cajati (Brazil)	ISO 14001:1996 (in progress)
Nova Santa Rita / Grinding Unit (Brazil)	ISO 14001:1996 (in progress)
Simuma (South Africa)	ISO 14001:1996 (in progress)
Durban / Grinding Unit (South Africa)	ISO 14001:1996 (in progress)
Newcastle / Grinding Unit (South Africa)	ISO 14001:1996 (in progress)

The Group has remained firmly committed to certifying all its manufacturing units according to the main international standards. Implementation of quality management systems, of environmental management and of occupational safety and health at its units and their certification in accordance with the ISO 9001:2000, ISO 14001:1996 and OHSAS 18001:1999 standards, respectively, is a corporate priority and has represented a vital instrument in the progress towards sustainable development.

In 2003, the Portuguese plants in Alhandra, Souselas and Loulé were certified according to the ISO 14001:1996 standard. This certification was obtained consequent to a number of investments covered by the Contract for Ongoing Environmental Performance in the Cement Sector signed with the Portuguese government in 1999. This certification was an important stage in a vaster and more ambitious project by which the aforementioned production centres will be registered in the EMAS (Ecomanagement Auditing System) by the end of 2004.

This reclassification program, in which 40 million euros have already been invested, is a significant effort to improve the quality of life in communities located near the plants. The program's merit has also been praised, as can be shown by opinion surveys.

In 2003, the João Pessoa plant in Brazil and units in Simuma, Durban and Newcastle, South Africa, also completed the respective processes for certification under the ISO 14001 standard. Similar processes have also been started at the Jbel Oust, Tunisia plant, and at the Cajati and Nova Santa Rita, Brazil units.

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

— **Savings in natural resources and rational energy consumption** – by installing new equipment and through the ongoing reduction in electrical and thermal energy consumption, by optimising grinding and baking operations, by recycling waste through the use of alternative raw materials and by using fly ash from thermoelectric power plants, foundry slag and cement additives. In 2003, the Alhandra plant continued to use sludge from water treatment plants as raw material. Within this perspective and since the availability of natural resources is vital, the Group will adhere to a long-term quarry management policy to keep up with trends calling for greater recycling of construction waste – using this waste as a raw material to make cement or as inerts in concrete. It will also recycle concrete and concrete-production waste by sorting this waste and reusing it. In 2003, the Alhandra plant continued to use the waste created from the demolition of former industrial buildings as raw material in the production of clinker.

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

- **Lower emissions of solid particles from chimneys and of dispersed dust and specific dust sources** – for which it installed state-of-the-art bag filters in kilns and a de-dusting system for the respective coolers and at the various loading and unloading locations for raw materials, fuel and other semi-finished and finished products. The installation of tanks or artificial ponds to supply water to the automatic sprinkling system (in the future connected to the rain water collection system at some plants) along the main vehicle roads at quarries and inside the manufacturing grounds, the laying of pavements and the installation of automatic locking gates at the clinker and raw material unloading points complete the set of measures that have been taken to reduce emissions of dispersed dust. At the Alhandra plant, the company has created a specific installation to receive incoming clinker and will transfer the coal and petroleum coke unloading and conveyance operation to another location with ideal handling conditions. Ongoing employee training and awareness-raising covering a number of concerns to be taken into account regarding dust emission is another pillar of this particle emission reduction policy.
- **Reduction of SO_x and NO_x emissions from kiln chimneys** – through a number of technical tests and the consequent assembly of fixed installations in order to clean combustion gases and to evolve to better technological practices. In 2002, after very positive results in various tests to reduce NO_x emissions from kiln chimneys, in 2003 the Group made investments in this area: in Alhandra, it began to install fixed equipment to inject ammonia into the smoke chambers of existing kilns; in Souselas, as a result of tests in previous years and the implementation of additional control measures to decrease SO_2 emissions, the company began to regularly inject calcium hydroxide in the cyclone tower of kiln 3.
- **Reduction of equipment noise and vibration** – by installing natural and artificial acoustic barriers along the plant's borders, by insulating grinding buildings using acoustic panels, by installing silencers in ventilators and canopies in various items of equipment and by transforming satellite coolers into grate coolers in cases where this is justified from an financial perspective. Under this policy, the Group has been using explosion systems based on "micro-retard" detonators to attenuate noise and vibrations

in quarry extraction operations. At Graça Mine (in João Pessoa, Brazil), an alternative method is being used instead of explosives, innovated by the Group, that consists of mechanical limestone extraction from the exploration fronts using a continuous miner.

- **Better landscape integration/recovery and interior layout** – by planting tree screens along the plant's borders and by creating garden areas inside and outside the plants, as well as new architectural frameworks and paintings so that buildings and manufacturing units are better integrated into their surroundings. In 2003, the quarries in Portugal began to quickly adapt their operations to the new laws governing the exploration and extraction of mineral masses (Decree-Law no. 270/2001) by regularising the extraction beds, planting species adapted to the local soil and climate conditions and by creating conditions favouring spontaneous re-colonisation of the land by native species. This policy aims to, as far as possible, recreate the prior vegetation cover in these locations and therefore attract some of the region's original fauna.
- **Environmental monitoring** – by installing various sampling devices integrated in the plants' Air Quality System and on-line measurers that continuously monitor the concentration of total atmosphere particles within the manufacturing grounds. As from 2003, more than 90% of the fixed emission sources of three cement plants in Portugal will have these measurers. Also this year, the Group updated the noise charts for those three plants in order to evaluate the effectiveness of the measures already implemented and to choose a new range of possible solutions to minimise noise pollution.

In 2003, the Group invested a total of 13.9 million euros in environmental improvements at its plants and quarries (in addition to the nearly 10.4 million euros spent this year for that same purpose), equivalent to nearly 9% of total industrial investment for the year.

4.3. Social Responsibility

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

In Portugal, every year CIMPOR Indústria performs a survey, in accordance with its EFQM Total Quality Management Model, at the various communities (e.g. citizens, industrial and service companies, contractors, suppliers, clients, fire-fighters, police, commerce, schools, universities, municipalities and ward councils, sports clubs and other public and private institutions), to determine the "Company's Impact on the Community,", which is one of its main instruments to better understand the effect of its activities on the surveyed entities, thereby allowing it to continuously monitor the respective evolution.

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

SOCIAL SUPPORT

- Annual socio-economic contributions to a wide range of entities and institutions (such as schools, retirement homes, hospitals, churches and fire-fighters) that are part of the communities surrounding the Group’s plants;
- Financing (in a total of 50,000 euros) of renovation and conservation works for the Village Market, in Souselas (in 2002/2003);
- Donation, through the computer development company *Afrisoft*, of over 50 used computers of Natal Portland Cement (South Africa), to some special education schools; this partnership, to be maintained in the coming years, was awarded a special distinction by the government’s Education and Culture Department in recognition for the role played by NPC in introducing information technology in needy communities;
- Donation, also by NPC, of 50,000 rands to the ecumenic Christian organisation *Habitat for Humanity South Africa* (*HfHSA*), to meet a commitment by the company to contribute to sustainable housing solutions in the KwaZulu-Natal region.

DIALOGUE WITH THE SURROUNDING COMMUNITY

- For seven years, Natal Portland Cement has supported the education project called *Natal Schools Project*, whose main goal is to improve student/teacher ratios and the working conditions of teachers and students by building and renovating classrooms, offices and washroom facilities (the donations for these purposes are made within a context of future job creation and the launching of small companies);
- NPC also organises a job training program for 80 members of the *Ncgwayi* community (located near the quarry of the Simuma plant) where the education level is very low, so that these people may be prepared to actively participate in the development of the region’s tourist infrastructure;
- Preservation of the natural reserve areas next to the Simuma plant (*Oribi Conservancy and Idwala*), which are rich in animal species, which includes providing a bus once per month to groups of youths from the neighbourhood for guided tours;
- NPC also maintains two "windows" to show interested parties the unique geological characteristics of the *Oribi Gorge Marble Delta*, next to the plant, and to inform them about the rehabilitation program in progress for the respective quarry;
- Through various initiatives and as member of the *Business Against Crime* (*BAC*) organisation, NPC supports the region’s police authorities;

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- Support to the revitalisation of Ilha do Bispo, a small and poor town with a relatively high rate of delinquent behaviour, located next to the João Pessoa plant, Brazil, through an ambitious social project called "Community Promoting Life" that provides assistance to 320 persons, including children, adolescents and adults; the support is in the form of a donation of land and the rehabilitation and construction of buildings for a wide range of purposes such as housing, schools and child care, which also originated in a partnership with "Amazona" (an NGO working towards the prevention of AIDS and other sexually transmitted diseases);
- Also in Brazil, development of a multi-year project to recover a Permanent Preservation Area ("swamp zone" which has an abundance of animal and vegetation species), known as Fazenda da Graça, and which includes the restoration of a secular chapel and of various colonial homes, the cataloguing of local vegetation species (with the support of biologists from the local university), the creation of nurseries for the rarer vegetation species and the planting of a variety of regional flora;
- In accordance with the protocol signed in Brazil between CIMPOR and UNICEF, the Group maintained its program of printing messages on cement and dry mortar bags (messages chosen by UNICEF) related with the defence of children's and youth rights ("Children must be in school");
- Regular promotion of student visits to reforestation areas at the quarry of the Candiota plant, in Rio Grande do Sul (Brazil), that includes an element of education about the characteristics of local species;
- A partnership with the Brazilian army, with the community's support, called "Programa Pelotão Esperança" (Hope Platoon Program) to provide assistance to needy children;
- Regular participation of CIMPOR Brazil personnel in various volunteer actions at local communities: campaigns to collect toys, clothing and food for children and the elderly; organisation of parties at Christmas and on Children's Day; providing volunteer services at public schools and the construction and cleaning of religious institutions and municipal schools; participation in the preparation and distribution of baskets of basic goods to poor communities, and the promotion of events to collect funds to this purpose, etc.;
- General application of an "Open Door" policy by promoting guided and group visits to Production Centres to provide anyone interested (e.g., schools, secondary schools, universities, local organisations, citizen groups, military and paramilitary institutions and NGO's) with a better understanding of the company's daily operations, with special emphasis on environmental, hygiene and safety aspects;
- Provide access to youths from local communities to the facilities of the sports clubs created for the Group's personnel (under the same policy, in 2003 the swimming pools of the Alhandra Sporting Club were renovated);

- Each year the children of CIMPOR's personnel are given an opportunity to spend two weeks at CIMPOR's holiday camp in São Martinho do Porto (the Holiday Camp is also open throughout the year to youths from schools, co-ops and boy/girl scouts from across the country).

TRAINING SUPPORT FOR YOUTHS AND RECENT GRADUATES

- The company provides paid internships to university students and young persons living in the respective plant zones;
- Presence at Job Fairs to present the Group and job opportunities;
- For over ten years, Natal Portland Cement has sponsored the annual *Junior Achievement* program for students in the final secondary school years of the surrounding communities to promote the business capacity of a group of 40 young persons by giving them the opportunity to create, manage and sell a "mini company" during an 11-month period.

RESTORATION OF BUILDING HERITAGE AND SPONSORSHIP

- Contribution to restore the ceiling of the Encarnação Church at Largo do Chiado, Lisbon (2003/2004);
- Participation in various philanthropic and sponsorship actions, contributing to the restoration of some of the most important monuments of Portugal's historic and cultural heritage, such as the Belém Tower (1996/97), the cloister of the Jerónimos Monastery (1999/2001), the bell set of the Mafra Convent (1993), of the Madre de Deus Church (1999/2001) and the Gardens surrounding the Serralves Foundation (2000/01), of which CIMPOR is a founding member (1994);
- Support to the Portugal – África Foundation (2002/2003);
- Sponsorship of "Portuguese Contemporary Architects," to disclose the work of Portuguese architects (2003/2004);
- Sponsorship, according to criteria of proximity to the Group's premises, of some events of cultural interest (concerts, exhibitions and sports events);
- Support to various initiatives by the Town Councils and Ward Councils in the zones surrounding the Group's plants.

COOPERATION WITH UNIVERSITIES AND OTHER SCIENTIFIC ENTITIES

- Contribution to the seminar "Youth Education: Character, Leadership and Citizenship," promoted by the National Defence Institute, in Portugal (2003);

- Financial support, through Natal Portland Cement, to the *Collaborative Research* program by the South African *Industry Foundation for Research Development*, whose goal is to develop techniques that, by making concrete construction more economical and durable, contribute to the sustainability of this material;
- Annual contribution by Natal Portland Cement to the departments of civil engineering of various South African universities and institutes in the Durban region: The University of Natal, University of Zululand, Natal Technikon, Durban Institute of Technology (DIT) and Mangosuthu Technikon;
- Contributions to the scientific community, particularly universities and other education institutions, in the other countries where the Group operates, through financial support for some of their programs, post-graduate courses, specific studies and various seminars.

5. Human Resources

The Group's internationalisation strategy and its growing installed capacity through the acquisition of new production units in various countries make the management of Human Resources an indispensable leverage factor in the goal of sustained corporate success.

The Group is aware of market and client demands and of competitive pressure in each country. As such, it manages its human resources essentially through policies to develop its strategy and suitable practices that, whilst respecting local cultural features, make it feasible to meet targets.

Personnel management has focussed on reorganising work processes, with total use of available synergies, on enhancing individual personnel skills through accountability (combined with target setting) and investment in training (generally in new technology, in the behavioural area and in the activity's technical demands). Within this scope, benchmarking methods have been a fundamental instrument to maintain competitiveness, suitable productivity and efficiency levels.

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

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NUMBER OF EMPLOYEES PER BUSINESS AREA (31 DEC.)

	2003	2002	Var.
Central Services	133	129	3.1 %
Portugal	1,695	1,868	- 9.3 %
Spain	940	718	30.9 %
Morocco	219	262	- 16.4 %
Tunisia	245	249	- 1.6 %
Egypt	642	833	- 22.9 %
Brazil	1,096	1,095	0.1 %
Mozambique	483	567	- 14.8 %
South Africa	332	340	- 2.4 %
Total	5,785	6,061	- 4.6 %

In December 2003, CIMPOR had 5,785 employees (including casual employees), of which over two thirds worked outside Portugal. Compared to one year ago, the Group now has 276 less employees (- 4.6%) despite the Group's expansion to the Spanish region of Andalusia (by itself employing another 200 new permanent employees). Excluding these latter employees, on a comparison basis, the Group reduced its total work force by 8%.

Except for Brazil and, especially, Spain (where the Group expanded its consolidation perimeter and acquired new ready-mix concrete plants and a quarry), all the other Business Areas reduced their personnel, in the case of Portugal (- 9.3%, with a substantial reduction in the concrete and aggregates areas), Mozambique (- 14.8%), Morocco (- 16.4%) and, in particular, Egypt (- 22.9%, corresponding to a reduction of over 190 permanent employees).

Per activity, about two thirds of personnel were assigned to the production and marketing of cement and nearly one sixth to ready-mix concrete. The only exceptions to this reduction in permanent employees were, in 2003, the mortar section (although not significant) and, due to the growing centralisation of various support functions, mainly in Portugal, the so-called "common services."

CHANGE IN THE NUMBER OF EMPLOYEES PER ACTIVITY (31 DEC.)

	2003		2002		Var.
	Number	%	Number	%	
Cement	3,935	68.0	4,129	68.1	- 4.7 %
Concrete	931	16.1	998	16.5	- 6.7 %
Aggregates	348	6.0	367	6.1	- 5.2 %
Mortar	64	1.1	57	0.9	12.3 %
Other Activities	217	3.8	234	3.9	- 7.3 %
Common Services	290	5.0	276	4.6	5.1 %
Total	5,785	100.0	6,061	100.0	- 4.6 %

6. Financial and Risk Management Policy

6.1. Debt Management

In 2003, the Group's debt management focussed on the following main goals:

- To refinance debt falling due within one year;
- To contract operations to increase the average maturity term of the overall consolidated debt and, at the same time, to diversify financing sources;
- To obtain the necessary financial means to make investments in the various countries where the Group operates, to obtain financing in local currency and so create natural hedging situations.

Within this respect, in June the Group contracted two particularly significant operations:

- A Syndicated Loan of 300 million euros, obtained jointly by CIMPOR Inversiones, S.L., and Corporación Noroeste, S.A., to restructure the respective financial liabilities;
- An issue of U.S. Private Placements, by CIMPOR Financial Operations, B.V., divided into two instalments, one of 150 million dollars and another of 254 million dollars, with 10-year and 12-year terms, respectively.

This latter operation – the first private debt placement in the United States by a Portuguese Group – was used essentially to pay liabilities falling due in 2003 and to restructure part of the Group's bank loans.

The management of these liabilities also included other operations that, although of smaller amounts, are also worth mentioning:

- In Portugal, CIMPOR – Indústria de Cimentos, S.A., obtained from the EIB (European Investment Bank) a medium/long-term loan with a bank guarantee, for 60 million euros to finance the modernisation and renovation of its cement plants;
- In Egypt, the Group contracted a medium/long-term operation for 25 million euros to finance the last stage of the project to build the new clinker and cement production line;
- Through CIMPOR Inversiones, the Group contracted two renewable one-year back-up lines, totalling of 100 million euros, that may be applied either to temporarily cover asset acquisition operations or to make payments arising from the Group's financial debt repayment plan.

At the end of 2003, as in previous years, the process to update the Medium Term Notes Program was also under way, which enabled the Group to obtain medium/long-term funds in the international market, particularly in Europe, rapidly and efficiently in accordance with Group's needs.

In the management of short-term debt, the Commercial Paper programs of CIMPOR Holding and CIMPOR Indústria were renewed and the overall debt was adjusted to 300 million euros. These Programs, together with the cash-pooling system, continued to be fundamental instruments for the short-term financing of all the Group's companies operating in Portugal, and a rating (A-2) was obtained from Companhia Portuguesa de Rating.

At the end of the year, consolidated net financial debt amounted to 1,250 million euros, nearly 100 million euros more than at the end of 2002. The increased debt was mostly due to payment for the Cordoba and Niebla plants, made only at the beginning of 2003.

The Group's foreign financial companies – CIMPOR Financial Operations, B.V. (Netherlands) and CIMPOR Finance Limited (Ireland) – were managed in the usual manner, both companies continuing to play an important role in obtaining funds in the international market and allocating them efficiently to the Group's companies requiring funding for their current or investment activities.

The conditions of the aforementioned operations, in terms of interest rates and of debt maturity, combined with the Group's good operating performance, enabled the Group to meet all the financial covenants included in the contracts in force and to maintain, during 2003, the long-term rating of BBB+ assigned by Standard & Poor's. However, in mid December, this entity, although recognising the Group's strong points, such as its capacity to generate cash flow, its solid financial profile and the excellent market shares in the various countries where the Group operates, decided, based on developments in the Portuguese market and CIMPOR's exposure to it, to alter the outlook of that rating from "stable" to "negative."

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

FINANCIAL DEBT AS OF 31 DECEMBER 2003

Financing	Currency	Amount (10^3)	Start	Maturity	Interest Rate
CIMPOR *HOLDING*					
Bank Loan (Bilateral)	EUR	623	Nov 1999	Nov 2004	Euribor + 0.325%
Bank Loan (Bilateral)	EUR	12,500	Jun 2002	Jun 2005	Euribor + 0.675%
Bank Loan (Bilateral)	EUR	5,000	Jun 2002	Jun 2005	Euribor + 0.600%
Subsidised Financing	EUR	748	Oct 2002	Jul 2006	–
Total	EUR	**18,872**			
CIMPOR INVERSIONES					
Syndicated Loan	EUR	283,510	Jun 2000	Jun 2005	Euribor + 0.400%
Bank Loan (Bilateral)	EUR	45,000	Jun 2002	Jun 2005	Euribor + 0.600%
Bank Loan (Bilateral)	EUR	237,500	Jun 2002	Jun 2005	Euribor + 0.675%
Syndicated Loan	EUR	106,400	Jun 2003	Jun 2008	Euribor + 0.500%
Bank Overdrafts	EUR	50,000	–	–	–
Total	EUR	**722,410**			

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Financing	Currency	Amount (10^3)	Start	Maturity	Interest Rate
CIMPOR BV					
Syndicated Loan	USD	75,000	Jun 2000	Jun 2005	Libor + 0.400%
US Private Placement – 10y	USD	150,000	Jun 2003	Jun 2013	4.90%
US Private Placement – 12y	USD	254,000	Jun 2003	Jun 2015	4.75%
Others	EUR	266	–	–	–
Total	EUR	**404,359**			
Portugal					
CIMPOR INDÚSTRIA					
Subsidised Financing	EUR	8,862	Oct 2001	Oct 2007	–
EIB Loan	EUR	60,000	Sept 2003	Sept 2015	EIB Basic Rate
Total	EUR	68,862			
OTHER COMPANIES					
Miscellaneous Financing	EUR	17,288	–	–	–
Total	EUR	17,288			
Total Portugal	EUR	**86,150**			
Spain					
CORPORACIÓN NOROESTE					
Syndicated Loan	EUR	193,600	Jun 2003	Jun 2008	Euribor + 0.50%
Bank Overdrafts	EUR	21,387	–	–	–
Total	EUR	214,987			
OTHER COMPANIES					
Miscellaneous Financing	EUR	7,923	–	–	–
Total	EUR	7,923			
Total Spain	EUR	**222,910**			
Brazil					
C. CIMENTOS DO BRASIL					
Miscellaneous Financing	BRL	38,578	Miscellan.	Miscellan.	Miscellan.
Incentive Tax Benefit	BRL	2,771	Miscellan.	Miscellan.	2.40%
Total	EUR	11,283			
ATOL					
Miscellaneous Financing	BRL	2,254	Miscellan.	Miscellan.	Miscellan.
Total	EUR	615			
Total Brazil	EUR	**11,898**			
Egypt					
AMREYAH					
Bank Loan (Bilateral)	EGP	11,933	Jun 1988	Jun 2005	9.50%
Bank Loan (Bilateral))	EGP	180,000	Dec 2002	Dec 2009	Caibor + 1.125%
Bank Overdrafts	EGP	86,323	–	–	12.50%
Total	EUR	35,706			
AMREYAH CIMPOR					
Bank Loan (Bilateral)	EUR	4,009	Sept 2003	Sept 2008	Euribor + 1.5%
Total	EUR	4,009			
CIMPOR EGYPT FOR CEMENT					
Bank Overdrafts	EGP	8,459	–	–	–
Total	EUR	1,085			
Total Egypt	EUR	**40,801**			

Financing	Currency	Amount (10³)	Start	Maturity	Interest Rate
Mozambique					
CIMENTOS DE MOÇAMBIQUE					
Bank Loan (Bilateral)	USD	9,146	Sept 2000	Sept 2005	Libor + 1.0%
Debenture	MZM	238,000,000	Jun 2002	Dec 2006	Maibor + 2.0%
Total	EUR	15,398			
OTHER COMPANIES					
Miscellaneous Financing	USD	72	–	–	–
Total	EUR	57			
Total Mozambique	EUR	**15,455**			
OTHER BUSINESS AREAS					
Morocco	MAD	79,463			
Tunisia	TND	1,873			
South Africa	ZAR	1,218			
Total Others	EUR	**8,557**			
TOTAL	EUR	**1,531,412**			

6.2. Risk Management Policy

Previous Directors' Reports of the CIMPOR Group have shown clearly the broad principles of the policy for covering financial and asset risks liable to affect the good performance by the Group's companies.

FINANCIAL RISK MANAGEMENT

In the financial risk management area, the Group maintained the principles and guidelines defined in the past, in particular: priority in the management of risks with an impact on results; search for natural hedging opportunities (such as obtaining loans in local currency in the various countries where the Group operates); hedging of short-term flows in foreign currency; and control of the interest rate risk on financial debt.

In 2003, the enormous volatility of the financial markets, together with interest rates that fell to historic lows, strongly affected the management of CIMPOR's positions with respect to exposure to interest rate curves, both in the euro and American dollars. On the other hand, some of the main currencies involving exchange rate risks to the Group, such as the Brazilian real and the South African rand, strengthened substantially against the dollar during the year, only comparable with the euro's appreciation in late 2003, which required some timely readjustments to the policy for managing these types of risks.

Therefore, despite the ongoing priority given to matters affecting the Group's net income, special emphasis was also given to the potential impact of the exchange rate risk on net consolidated shareholders' equity. In this respect, some hedging operations were carried out during the year to protect the investments in Brazil and South Africa that, however, never exceeded half of the shareholders' equity of these companies.

Following are some of the main exchange rate risk hedging operations carried out during the year:

- The contracting of two cross-currency swaps (USD/EUR), simultaneously with the placing, in June, of the Private Placements issued in the United States, totalling 404 million dollars;
- Off-shore hedging (EUR/TND) of 50% of the exchange rate risk underlying the payment to a foreign supplier for a number of investments in Tunisia, in the amount of about 6 million euros;
- Full hedging, through the purchase of exchange rate forwards, of the amount (25 million dollars) of the Syndicated Loan obtained in June 2000, to be repaid in December 2003;
- The contracting of structured operations to partially hedge the exchange rate risk underlying the remaining repayments of that loan (falling due in June and December 2004 and June 2005).

In terms of the interest rate risk, the Group continued its dynamic management of the derivatives portfolio in order to maintain a comfortable level of debt split between fixed and variable interest rate and a balance in the cash flow/market value ratio.

The Group also took various measures throughout the year to clarify the potential effect on profit of applying (in January 2005) the new accounting rules for the financial instruments (IAS 39). In order to control the impact of implementing the new rules, the Group has already made some adjustments to the derivatives portfolio and acquired a software application capable of meeting the permanent information needs required by the new rules.

ASSET RISK MANAGEMENT

At the end of 2002 the main insurance companies, when renegotiating the Group's insurance policies, demanded substantial premium and deductible increases, especially for civil liability insurance policies. This forced the Group to restructure its form of safeguarding product and general civil liability risks covered by insurance policies in the international market. It therefore chose to select other alternatives based on increasing the levels of self-insurance, insuring only the large risks through international insurance companies and establishing higher deductibles.

Within this context, CIMPOR Reinsurance – a captive insurance company with head office in Luxemburg, fully owned by the CIMPOR Group – assumed the risks of machinery failure, with indemnity limits of two million euros, and of product and general civil liability risks with indemnity limits of three hundred thousand euros. Above these amounts, the respective coverage was placed in the international reinsurance market.

A captive insurance company in the CIMPOR Group represents a significant advance to rationalise the management of operational and asset risks and thereby minimise the corresponding costs, which are understood to be the sum of all costs necessary to avoid or reduce the financial consequences of the risks. The captive company is also essential for generating financial benefits by applying the premiums that it receives from the various Business Units and by the financing that it can provide to the Group's companies.

Despite the difficult market conditions, in 2003 the Group also renegotiated the overall civil liability insurance covering the Group's managers and directors. The insured capital was decreased, some coverage aspects were adjusted and the respective premium was reduced.

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

At holding company level, efforts continued to be made to optimise the operational and asset risk management program, including identification of material, technical and human resources subject to risk, analysis and evaluation of the exposure level of each corporate resource, assessment of predictable losses in the case of accidents and weighing of the various alternatives that, at any given moment, are regarded as the most appropriate for risk coverage.

7. Information Technology

In order to continue implementing the respective Strategic Plan, throughout 2003 the Central Planning and Information Systems Department of CIMPOR Holding carried out various actions to innovate, optimise and renovate the existing systems in almost all the Group's Business Areas, particularly in Portugal, Spain, Mozambique, Egypt and South Africa, covering over 2,000 workstations, 70 servers and 35 LANs.

The Project and Development Area continued to focus on implementing new SAP projects, through roll-out to other Group companies, of solutions already installed in Portugal and Spain and by introducing new functionalities to take advantage of synergies and enhancement opportunities. The following projects and activities in 2003 are highlighted:

- Completion and start-up of the Inter-company processes of CIMPOR Betão Industria and Jomatel, covering the operations with all the Group's internal suppliers, which has enabled the companies to substantially reduce time spent registering, validating and checking information manually (a four-day task under the previous procedures now takes two hours);
- Completion and start-up of the SAP implementation projects at the companies in the Azores (Cimentaçor and Betaçor) and Mozambique (Cimentos de Moçambique, Cimbetão and Premap), covering the financial, logistics and production maintenance areas;
- Beginning of the SAP installation project at Group companies headquartered in Egypt, with the start-up of the logistics and distribution areas in January 2004, the financial and maintenance areas being expected to start operating at the end of April;
- Completion and start-up of the SISO project, launched by the Personnel Management of CIMPOR Indústria, under its accident and occupational disease prevention policy, which includes the areas of health, hygiene and occupational safety;
- A personnel cost planning project, using SAP, that was launched in the Human Resources area is to be completed in mid 2004;
- Implementation of a new Human Resources Management and Administration application at the Group's companies based in Mozambique;
- Automation of the Manufacturing Statistics link to the SAP;
- Development of a Commercial Information System to obtain indicators, ratios and management reports in the Commercial Department of CIMPOR Indústria;
- Implementation of a new shipping application at the Óbidos quarry (Alempedras);
- Installation of SAP modules for the financial, logistics and distribution areas at the companies Ecoresíduos, Cecisa, Scial and CTA;
- Development, by CIMPOR Indústria, of the SIPET (Integrated Planning, Shipping and Transport System) and Total Self-Service projects, all the equipment necessary for the respective start-up having been installed at the Souselas Production Centre and Maia Terminal.

In the Management of Systems, Infrastructures and Communications area, the Group carried out a number of important projects in 2003, to significantly increase the response capacity of the installed systems. These projects endowed CIMPOR with the technological conditions necessary to meet the Group's growth and internationalisation strategy. The following projects are significant in terms of the solutions adopted and resulting productivity:

— Completion of the migration of the network topology in the Group's entire WAN (Portugal and Spain), with the respective alteration, from *Token Ring* (16MB) to *Fast Ethernet* (100MB) at the Production Centres of Alhandra and Souselas, at the Maia Terminal and at Portela de Sintra;

— The whole SAN (Storage and Backup) infrastructure was renovated to support the growth of the current databases (from 3TB to 7TB) and to increase the performance levels of the backup and restore processes;

— Installation of a central console for management of backups, covering the respective control in all remote servers, including those located in Mozambique and Egypt;

— Renewal of the servers at the Head Office data centre;

— Upgrade from Windows NT to Windows 2000, from MSSQL 7.0 to MSSQL 2000 and from *BW* 2.1C to the BW 3.10 version in landscape SAP R/3 of Portugal and Spain;

— Implementation of the Disaster & Recovery solution was completed, to safeguard against possible breakdowns in the operation of the systems, caused by serious accidents, having any impact on the organisation;

— Support and assistance provided in the installation of electronic mail and the design and implementation of the local networks in Mozambique and Egypt, including the connections to the Internet and to the corporate network;

— Two new SAP landscapes (Production, Quality and Development) were built for the Mozambique and Egypt Business Areas; and

— Cooperation in developing the Quality Management System implemented at Sociedad de Cimentos y Materiales de Construcción de Andalucia, in accordance with the NP EN ISO 9001:2000 standard.

8. Post Balance Sheet Date Events

The following significant events that took place after the end of 2003:

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

— Cimpor Betão, SGPS, S.A., increased its participations in Vermofeira – Extracção e Comércio de Areias, Lda., and Betrans – Sociedade Produtora e Distribuidora de Betão Transmontano, S.A. to 100%, by acquiring 50% of the capital of both companies for 50,600 euros and 1.08 million euros, respectively;

- Agrepor Agregados – Extracção de Inertes, S.A., signed a promissory purchase and sale contract for all the shares of Inergranitos, S.A., for 4.6 million euros;
- A contract was signed, through Corporación Noroeste, S.A., for the option to purchase eighteen ready-mix concrete plants owned by Readymix Asland, S.A., in the Spanish regions of Andalusia and Extremadura, for a total of 11.4 million euros (adjustable in accordance with possible corrections, determined as of the transaction date, to be made to the contracts with third parties);
- Corporación Noroeste, S.A., paid 888,800 euros for all the shares in the Spanish company Áridos Donoso del Rio, S.L., which has a ready-mix concrete plant in Badajoz (Extremadura);
- Prebetong Galicia, S.A., increased its participation in Prebetong Lugo, S.A., from 75.3% to 82.9%.

9. The Outlook for 2004

For 2004, the conditions seem to have been created to consolidate the economic recovery that began in the second half of 2003.

In the USA, capital expenditure has already increased which, along with improved corporate profits, increased activity and the very favourable financial conditions are expected to lead to a sustained recovery of investment and greater employment. Employment, combined with greater disposable income – together with the lower inflation rate, lower taxes and the improved stock market prices – point, in turn, to a steep rise in private consumption.

The European Union is also expected to experience an increase of internal demand, along with a significant rise in exports, although exports are seriously threatened by the continued strengthening of the euro. The inflation rate, benefiting from lower-priced imports and stable service prices, is expected to remain at about 2%.

In Japan, forecasts for 2004 remain favourable, based on higher investment and exports.

In Latin America, contrary to 2003, great differences between growth rates in the region's main countries are not expected. The overall GDP in these countries is expected to increase 3.6% (compared to only 1.1% in 2003). This region is, nevertheless, still subject to political risks and the need for major structural reforms.

Cement consumption in the European Union is not expected to increase significantly. In countries such as France, Ireland and Portugal, demand is expected for fall slightly, and to stagnate in Germany and in the United Kingdom. In the USA, cement consumption is likely to increase slightly as a result of recovery in the non-housing sector, and prices are expected to rise due to the recent increase in transport costs of imported cement (comprising 20% of overall consumption). In emerging and developing markets, conditions are expected to remain favourable, particularly in Asia and East Europe, and demand is forecast to increase throughout North Africa.

Portugal

In Portugal, the somewhat hesitant behaviour revealed by the latest statistics and opinion indicators point towards a slow and moderate economic recovery, greatly affected by the effort to correct current distortions and by developments abroad.

Within this economic setting, real GDP growth will unlikely be higher than 1%, once again below average growth in the European Union. The need to consolidate the budget, requiring public spending cutbacks, and the current family and corporate debt levels, that stifle domestic demand, are expected to remain an obstacle, especially for the construction sector which is expected to fall by 5%.

As for cement consumption, the latest estimates indicate a 3% to 5% decrease compared to 2003, placing the respective volume between 8.8 and 9.0 million tons. With higher maritime transport costs hampering cement imports, CIMPOR may increase its market share slightly. On the other hand, the Portuguese plants will continue to meet the clinker and cement deficits at the Group's units in Andalusia, thereby at least partly compensating for a possible drop in the domestic market.

Spain

With an expected GDP growth between 2.8% and 3.0%, sustained by investment in goods and equipment and by higher exports, the Spanish economy is forecast to maintain its growth rate clearly above the European Union's average.

In the construction sector, a growth rate similar to that of 2003 (3.6%) is expected, despite a slight slowdown in the building of new homes (less pronounced in the Levante and Andalusia zones). The latest forecasts call for a total cement consumption in 2004 of 48 million tons (which assumes a growth rate of over 4%), the provinces of Galicia and Andalusia – where the Group operates – being expected to have growth of 3.5% and 5.3%, respectively.

Prospects for 2004 are therefore very favourable, especially since Corporación Noroeste substantially increased its concrete production and marketing operations in 2003 and also in 2004.

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North Africa

In North African countries where the Group operates, cement consumption is expected to increase in 2004 between 2.6% (in Egypt) and 5.0% (in Morocco). However, as a result of lower selling prices (in Morocco) and depreciation of local currencies against the euro (on an annual average basis), Turnover in Morocco and Tunisia in euros, is not expected to change much compared to 2003. In Egypt, if prices continue to increase and exports are maintained (along with lower production costs due to the start-up of the new line) both Turnover and the Operating Cash Flow are expected to increase significantly.

Operating Income is also expected to improve in Tunisia due to forecast lower fuel costs when fuel-oil is replaced by petcoke. Tunisia will likely also contribute to the relative importance of these three Business Areas within the CIMPOR Group.

Brazil

Despite some clearly positive indicators – the unemployment rate is finally improving, the current account balance is showing the first surplus in the last eleven years and Government accounts are showing a primary surplus greater than that requested by the IMF – the performance of retail sales and industrial production is still very unstable. Falling interest rates in the first half of the year are expected to favour, especially, sectors most sensitive to credit, thereby boosting a recovery of investment. Higher investment combined with falling inflation in 2004 (estimated at close to 9%) and rising real family income will lead to a gradual recovery of private consumption.

In a scenario where GDP is expected to grow between 3% and 4%, the construction sector is forecast to grow by about 4.5%. If this is the case, cement consumption will increase by about 4%. However, greater competition in the Brazilian market will cause average selling prices to drop slightly. The Group is therefore not expected to significantly improve its Turnover or Operating Cash Flow in local currency, and these are expected to drop slightly in terms of euros.

Southern Africa

In 2004, the economies of Mozambique and South Africa are expected to have GDP growth of about 8% and 3%, respectively, driven in both cases by investment due to the recent drop in interest rates. In South Africa, where inflation is falling and there is need to overcome the negative effects of the strengthening rand, inflation is expected to continue falling. Lower inflation combined with the fact that 2004 is an election year, are expected to boost investment by 8%.

Mozambique's cement consumption is forecast to continue rising significantly and consumption in South Africa is expected to rise by about 4%. In South Africa, the limitations caused by NPC's production capacity are expected call for major investment to increase grinding capacity and, possibly, clinker production. A plan has also been prepared to acquire a concrete and aggregates company.

10. Closing Remarks

In 2003 CIMPOR began to analyse the potential accounting impact of implementing the International Accounting Standards (IAS), in terms of financial reporting and on the Group's information systems.

In a first stage, which is still in progress, the analysis consists of a review to identify, for each IAS, the differences between these standards and the accounting principles and valuation criteria currently applied. Besides determining the impact of adopting the new standard on presentation, measurement, recognition and disclosure of the Group's accounts, in situations where alternative procedures are allowed, this stage will also include, a process to decide on the policies to be applied.

In a second stage, the Group will analyse the effects that the changes resulting from applying the IAS will have on the information systems of the various companies and on their respective reporting models, both in the consolidation process and on the Group's management information system. This stage will take place, whenever possible, together with the first stage, so that the adjustments are planned and made gradually during 2004.

The final stage, which is implementation, should be completed by the end of this year.

Lisbon, 13 April 2004

The Board of Directors

Ricardo Manuel Simões Bayão Horta

Luís Eduardo da Silva Barbosa

Jean Carlos Angulo

Luís Filipe Sequeira Martins

Pedro Maria Calaínho Teixeira Duarte

Manuel Ferreira

Jacques Lefèvre

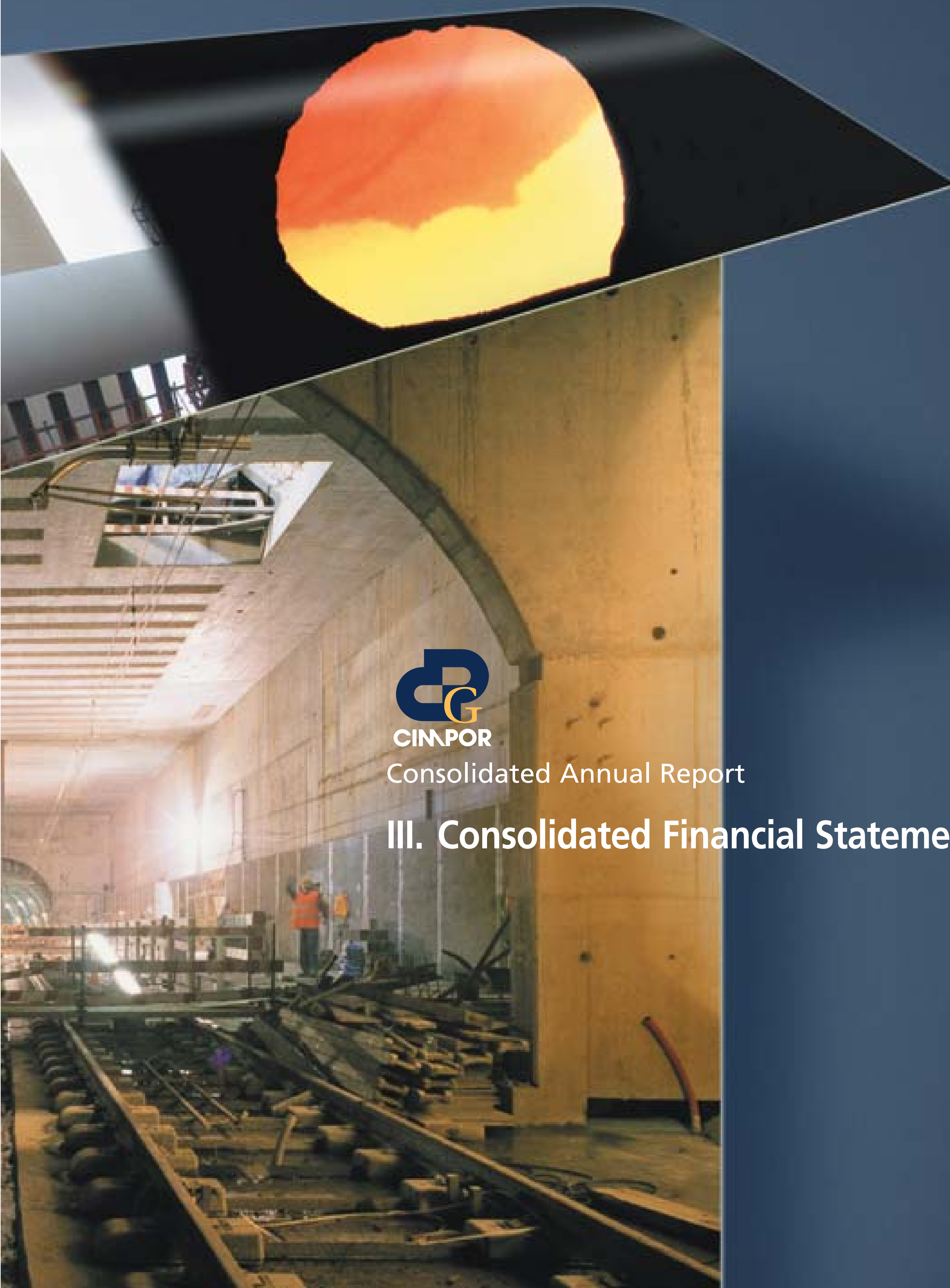
Jorge Manuel Tavares Salavessa Moura

Manuel Luís Barata de Faria Blanc

João Salvador dos Santos Matias

Vicente Árias Mosquera *

* Elected at the Shareholders' General Meeting held on 31 July 2003 but still impeded from performing his duties.



CIMPOR

Consolidated Annual Report

III. Consolidated Financial Statements

Consolidated Balance Sheets
as of 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 31)

(Amounts stated in thousands of euros)

	Notes	2003	2002
CURRENT ASSETS:			
Cash and cash equivalents		74,280	47,096
Short-term investments, net	4	218,454	324,683
Accounts receivable-trade, net	5	218,249	195,503
Accounts receivable-other, net	6	59,317	103,647
Inventories, net	7	135,327	134,945
Deferred taxes	18	105,132	142,051
Prepaid expenses and other current assets	14	7,375	1,832
TOTAL CURRENT ASSETS		818,134	949,757
Investments, net	8	151,906	116,774
Fixed assets, net	9	1.193,557	1,300,131
Intangible assets, net	10	891,919	962,535
Other non-current assets, net	6	33,656	8,662
TOTAL ASSETS		**3,089,172**	**3,337,859**
CURRENT LIABILITIES:			
Short term debt	11	333,601	552,377
Accounts payable-trade	12	131,309	123,503
Accounts payable-other	13	73,221	295,078
Accrued expenses	14	34,485	59,680
Taxes payable	15	32,783	36,697
Deferred taxes	18	82,430	116,765
Deferred income	14	20,859	7,565
Provision for other risks and costs	16	127,949	118,733
TOTAL CURRENT LIABILITIES		836,637	1,310,398
Medium and long-term debt	11	1,197,811	968,565
Other non-current liabilities	17	15,809	20,869
TOTAL LIABILITIES		**2,050,257**	**2,299,832**
Minority interest	19	78,329	88,450
SHAREHOLDERS' EQUITY:			
Share capital	20	672,000	672,000
Own shares	20	(17,403)	(19,245)
Revaluation reserves	20	64,531	73,587
Legal reserve	20	67,200	58,300
Cumulative foreign currency translation adjustments	20	(419,734)	(353,603)
Other reserves and retained earnings		408,109	341,975
Net income for the year		185,883	176,563
TOTAL SHAREHOLDERS' EQUITY		**960,586**	**949,577**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,089,172**	**3,337,859**

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

CONTENTS

Consolidated Statements of Profit and Loss
for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 31)

(Amounts stated in thousands of euros)

	Notes	2003	2002
OPERATING REVENUES:			
Sales and services rendered	21	1,360,900	1,317,206
Other revenues and costs		9,398	30,519
TOTAL OPERATING REVENUES		1,370,298	1,347,725
OPERATING COSTS AND EXPENSES:			
Cost of inventories used in production or sold		(316,931)	(314,127)
Operating expenses		(380,655)	(356,202)
Payroll expenses	22	(152,965)	(152,241)
Depreciation and amortisation	9 and 10	(205,106)	(209,718)
Provisions	16	(18,433)	(17,843)
Other operating expenses		(7,254)	(13,748)
TOTAL OPERATING COSTS AND EXPENSES		(1,081,344)	(1,063,879)
Operating income		288,954	283,846
Financial expenses, net	23	(35,515)	(23,330)
Extraordinary income, net	24	12,307	(38,233)
Income before income tax		265,746	222,283
Provision for income taxes	18	(72,633)	(40,646)
Income before minority interest		193,113	181,637
Income applicable to minority interest, net	19	(7,230)	(5,074)
NET INCOME FOR THE YEAR		**185,883**	**176,563**
Earnings per share		0.28	1.32 (a)

(a) Considering the stock split operation changing the share value from five euros to one euro, the earnings per share, for the year ended 31 December 2002, would be 0.27 euros.

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

Consolidated Cash Flow Statements

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 31)

(Amounts stated in thousands of euros)

	Notes	2003	2002
OPERATING ACTIVITIES:			
Receipts from customers		1,603,451	1,330,465
Payments to suppliers		(801,593)	(661,115)
Payments to employees		(158,782)	(170,910)
Cash generated from operations		643,076	498,440
Payments relating to income taxes		(36,175)	(16,886)
Other		(126,865)	(7,669)
Cash flow before extraordinary items		480,036	473,885
Receipts relating to extraordinary items		2,598	12,191
Payments relating to extraordinary items		(7,615)	(7,925)
Net cash from operating activities (1)		475,019	478,151
INVESTING ACTIVITIES:			
Receipts relating to:			
Acquisition of subsidiaries		600	541
Financial investments		8,595	1,064
Property, plant and equipment		4,269	26,309
Intangible assets		3	30
State grants for investment		2,355	42
Interest and related income		38,222	44,602
Dividends		4,733	3,309
Other		414	2,214
TOTAL RECEIPTS		59,191	78,111
Payments relating to:			
Acquisition of subsidiaries	1	(222,120)	(275,997)
Financial investments		(34,279)	(5,167)
Property, plant and equipment		(155,062)	(182,592)
Intangible assets		(2,309)	(13,568)
Other		(29,028)	(860)
TOTAL PAYMENTS		(442,798)	(478,184)
Net cash used in investing activities (2)		(383,607)	(400,073)
Financial activities:			
Receipts relating to:			
Loans obtained		1,053,495	776,411
Own shares sold		4,356	2,712
Other		2,035	-
TOTAL RECEIPTS		1,059,886	779,123
Payments relating to:			
Loans		(1,055,784)	(486,144)
Interest and related expenses		(114,160)	(76,840)
Dividends		(104,568)	(86,808)
Income tax on dividends		(2,095)	(6,579)
Own shares purchases		(2,492)	(5,336)
Other		(9,574)	-
TOTAL PAYMENTS		(1,288,673)	(661,707)
Net cash from (used in) financing activities (3)		(228,787)	117,416
Net change in cash and cash equivalents (4) = (1)+(2)+(3)		(137,375)	195,494
Net exchange rate effect		3,586	(32,166)
Net cash and cash equivalents - beginning of period		344,926	181,599
Net cash and cash equivalents - end of period	2	211,137	344,927

Note: At 31 December 2003 the indirect taxes received or paid were included in the Caption Receipts from customers and Payments to suppliers respectively; the concerned liquidations were included in the caption Other.

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

Consolidated Cash Flow Statements (continued)

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 31)

1. The amount of 220,400 thousand euros refers to the payment of the cement industry assets acquired in 2002 in Cordoba, Niebla e Seville ("Andaluzia").

2. Detail of cash and equivalent:

	2003	2002
Cash	330	4,092
Bank deposits	73,950	43,004
Short-term investments and cash equivalents (gross)	218,454	325,871
Cash, bank deposits and treasury applications as stated in balance sheet	292,734	372,967
Other treasury elements:		
Bank overdrafts	(81,597)	(28,040)
Net cash from operating activities	211,137	344,927

3. As at 31 December 2003, there were approximately 397,8 millions euros of not used bank facilities granted to Group companies.

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

CONTENTS

Consolidated Statements of Changes in Shareholders' Equity

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 31)

(Amounts stated in thousands of euros)

	Share capital	Own shares	Revaluation reserves	Legal reserve	Currency translation adjustments	Other reserves and retained earnings	Net income	Total
BALANCES AS OF 31 DECEMBER 2001	672,000	(16,799)	93,720	51,400	(136,489)	289,415	137,829	1,091,076
Earnings allocated to reserves	-	-	-	6,900	-	32,226	(39,126)	-
Dividends paid	-	-	-	-	-	-	(93,387)	(93,387)
Distribution of profits to employees	-	-	-	-	-	-	(5,316)	(5,316)
Acquisiton/sales of own shares	-	(2,624)	-	-	-	89	-	(2,535)
Other adjustments	-	178	(20,133)	-	-	20,245	-	290
Currency translation adjustments	-	-	-	-	(217,114)	-	-	(217,114)
Net income for the year	-	-	-	-	-	-	176,563	176,563
BALANCES AS OF 31 DECEMBER 2002	672,000	(19,245)	73,587	58,300	(353,603)	341,975	176,563	949,577
Earnings allocated to reserves	-	-	-	8,900	-	59,350	(68,250)	-
Dividends paid	-	-	-	-	-	-	(106,663)	(106,663)
Distribution of profits to employees	-	-	-	-	-	-	(1,650)	(1,650)
Acquisiton/sales of own shares	-	1,842	-	-	-	(34)	-	1,808
Other adjustments	-	-	(9,056)	-	-	6,818	-	(2,238)
Currency translation adjustments	-	-	-	-	(66,131)	-	-	(66,131)
Net income for the year	-	-	-	-	-	-	185,883	185,883
BALANCES AS OF 31 DECEMBER 2003	672,000	(17,403)	64,531	67,200	(419,734)	408,109	185,883	960,586

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

Notes to the Consolidated Financial Statements

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 31) — Amounts stated in thousands of euros

1. Introduction

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

As result of the reorganization occurred in the year 2002, Cimpor's investments came to be owned by the following sub-holding companies: (i) Cimpor Portugal, SGPS, S.A., which holds the investments in companies producing cement, ready-mix concrete, pre-cast parts and related activities in Portugal; (ii) Cimpor Inversiones S.L., which holds the investments in companies operating in foreign countries; (iii) Cimpor Investimentos, SGPS, S.A., which holds the investments in operating companies outside of the cement industry; and (iv) Cimpor Internacional, SGPS, S.A., which after selling to Natal Portland Cement Company the investments of the companies operating in Mozambique, in the year ended 31 December 2003, only holds minority investments in some operating companies of the Group.

2. Basis of presentation

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

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

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

The companies whose financial statements are fully consolidated are as follows:

HOLDING AND SUB-HOLDINGS

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

CIMPOR PORTUGAL	CIMPOR PORTUGAL, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR INTERNACIONAL	CIMPOR INTERNACIONAL, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR INVESTIMENTOS	CIMPOR INVESTIMENTOS, SGPS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR INVERSIONES	CIMPOR INVERSIONES, S.L. Calle Brasil, 56 36204 Vigo	100,00

CEMENT AREA

Portugal

Name	Full name/headquarters	Effective participation
CIMPOR INDÚSTRIA	CIMPOR – INDÚSTRIA DE CIMENTOS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
SCIAL	ESTABELECIMENTOS SCIAL DO NORTE, S.A. Av. Américo Duarte – S.Pedro Fins – Maia 4449 - 909 Ermesinde	100,00
CECISA	CECISA - COMÉRCIO INTERNACIONAL, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CTA	CEMENT TRADING ACTIVITIES - COMÉRCIO INTERNACIONAL, S.A. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	89,00
MOSSINES	MOSSINES – CIMENTOS DE SINES, S.A. Rua Alexandre Herculano, 35 1250-009 Lisbon	100,00
CIMENTAÇOR	CIMENTAÇOR - CIMENTOS DOS AÇORES, Lda. Canada das Murtas, Pico da pedra, Ribeira Grande 9500 - 618 Ponta Delgada	75,00

READY MIX CONCRETE AND AGREGATES AREA

Portugal

Name	Full name/headquarters	Effective participation
CIMPOR BETÃO SGPS	CIMPOR BETÃO - SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIMPOR BETÃO	CIMPOR BETÃO - INDÚSTRIA DE BETÃO PRONTO, S.A. Av. Almirante Gago Coutinho, Portela de Sintra 2710 - 418 Sintra	100,00
BETAÇOR	BETAÇOR - FABRICO DE BETÃO E ARTEFACTOS DE CIMENTO, S.A. Rua dos Pastos – Beljardim 9760 – 511 Praia da Victória	75,00
AGREPOR	AGREPOR-AGREGADOS E EXTRACÇÃO DE INERTES, S.A. Sangardão – Furadouro 3150 – 999 Condeixa-a-Nova	100,00
JOMATEL	JOMATEL - EMPRESA DE MATERIAIS DE CONSTRUÇÃO, S.A. Tapada da Quinta de Cima – Est. de Albarraque – Linhó 2714 Sintra	90,00
BETABEIRAS	BETABEIRAS - BETÕES DA BEIRA, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	89,00

BETÃO LIZ	BETÃO LIZ, S.A. R Qtª Paizinho – Edifício Bepor, Bloco 1–2º 2790 – 237 Carnaxide	66,44
VERMOFEIRA	VERMOFEIRA - EXTRACÇÃO E COMÉRCIO AREIAS, Lda. R Qtª Paizinho – Edifício Bepor, Bloco 1–2º- 2790 – 237 Carnaxide	50,00
JOBRITA	JOBRITA - INDÚSTRIAS EXTRACTIVAS, S.A. R. Vaz Monteiro, 192 – r/c Esq 2580 – 505 Carregado	66,44
FORNECEDORA	FORNECEDORA DE BRITAS DO CARREGADO, S.A. Rua Vaz Monteiro, 192 – r/c Esq. 2580 - 505 Carregado	66,44
M.C.D.	M.C.D. - MATERIAIS CONSTRUÇÃO DRAGADOS E BETÃO PRONTO, S.A. Travessa do Alecrim, 1 – 2º 1200 - 019 Lisbon	66,44
BETRANS	BETRANS - SOCIEDADE PRODUTORA E DISTRIBUIDORA DE BETÃO TRANSMONTANO, S.A. Zona Industrial das Cantarias, Lt 189/190 5300 - 212 Bragança	50,00
IBERA	IBERA - INDÚSTRIA DE BETÃO, S.A. Qtª da Madeira, Estrada Nac. 114, km 85 7000 - 505 Évora	50,00
BETEJO	BETEJO - SOCIEDADE DE BETÕES, S.A. Av. do Bocage, nº 21, 8º Esqº 2830 Barreiro	50,00
BEPRONOR	BEPRONOR - SOCIEDADE DE BETÃO PRONTO DO NORDESTE, S.A. R. Alexandre Herculano, 35 1250 - 009 Lisbon	50,00
BARBETÃO	BARBETÃO – COMÉRCIO E DISTRIBUIÇÃO DE BETÃO, S.A. Matas, Gamelinhas, Apartado 219 3780 - 401 Avelãs de Cima, Anadia	100,00

PRECAST AREA

Portugal

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

OTHER RELATED ACTIVITIES

Portugal

Name	Full name/headquarters	Effective participation
SACOPOR	SACOPOR - SOCIEDADE DE EMBALAGENS E SACOS DE PAPEL, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
CIARGA	CIARGA - ARGAMASSAS SECAS, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00

TRANSVIÁRIA	TRANSVIÁRIA - GESTÃO DE TRANSPORTES, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
T.P.A.	T.P.A. - TRANSPORTES STº. ANDRÉ, Lda. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
TRATER	TRATER - EMPRESA DE TRANSPORTES E GESTÃO, S.A. Edifício Ulisses, r/c Esq. – Almoinha – Castelo 2970 - 135 Sesimbra	100,00
ALEMPEDRAS	ALEMPEDRAS - SOCIEDADE DE BRITAS, Lda. Casal da Luz – Bairro – Óbidos 2510 Óbidos	100,00
CIMADJUVANTES	CIMADJUVANTES - COMERCIALIZAÇÃO E PRODUÇÃO DE ADJUVANTES PARA CIMENTO, Lda. Av. Severiano Falcão, 8 – Edifício Cimpor 2685 - 378 Prior Velho	100,00
CELFA	CELFA – SOCIEDADE INDUSTRIAL DE TRANSFORMAÇÃO DE GESSOS, S.A. Zona Industrial de Soure, Lt. 26 e 27 3130 – 551 Soure	100,00
KANDMAD	KANDMAD – PRESTAÇÃO DE SERVIÇOS E COMÉRCIO DE IMPORTAÇÃO E EXPORTAÇÃO, Lda. Av. Arriaga, 77, Edifício Marina Fórum, 1º sala 103, Sé 9000 – 060 Funchal	99,93

INTERNATIONAL AREA

Spain

Name	Full name/headquarters	Effective participation
CORPORACIÓN NOROESTE	CORPORACIÓN NOROESTE, S.A. Brasil, 56 36 204 Vigo	99,51
C.N. HORMIGONES Y ARIDOS	CORPORACION NOROESTE DE HORMIGONES Y ARIDOS, S.L. Brasil, 56 36 204 Vigo	99,51
ANDALUCIA	SOCIEDAD DE CEMENTOS Y MATERIALES DE CONSTRUCCÍON DE ANDALUCIA, S.A. Av. De la agrupacíon de Córdoba, 15 14 014 Cordoba	99,51
CEMENTOS EL MONTE	CEMENTOS EL MONTE, S.A. 21810 – Palos de la Frontera (Huelva) Puerto Exterior de Huelva Muelle Ingeniero Juan Gonzalo s/n	99,51
CEMENTOS NOROESTE	CEMENTOS NOROESTE, S.L. Brasil, 56 36 204 Vigo	99,51
SERMACONSA	SERVICIOS Y MATERIALES PARA LA CONSTRUCCIÓN, S.A. Brasil, 56 36 204 Vigo	99,51
MORTEROS NOROESTE	MORTEROS NOROESTE, S.L. Brasil, 56 36 204 Vigo	99,51
HORMIGONES HÉRCULES	HORMIGONES HÉRCULES, S.L. Polígono Industrial – El Prado – 40 – Mérida 06800 – Badajoz	99,51
HORMIGONES MIÑO	HORMIGONES MIÑO, S.L. Brasil, 56 36 204 Vigo	99,49
CEMENTOS COSMOS	CEMENTOS COSMOS, S.A. Brasil, 56 36 204 Vigo	99,23
PREBETONG GALICIA	PREBETONG GALICIA, S.A. Brasil, 56 36 204 Vigo	98,39

CANTERAS PREBETONG	CANTERAS PREBETONG, S.L. Brasil, 56 36 204 Vigo	98,39
BOMTRAHOR	BOMBEO Y TRANSPORTE DE HORMIGON, S.A. Brasil, 56 36 204 Vigo	90,29
PREBETONG LUGO	PREBETONG LUGO, S.A. Av. Benigno Rivera s/n Polígno Industrial del Ceao 27 003 Lugo	74,10
HORMIGONES MARIÑA	HORMIGONES MARIÑA, S.L. Carretera Santander – Ferrol. Lugar de Camba Município de Xove 27 870 Lugo	69,77
HORMINGONES LA BARCA	HORMIGONES Y ARIDOS LA BARCA, S.A. Calle La Barca, nº 14 36 002 Pontevedra	49,76
ARICOSA	ARIDOS DE LA CORUÑA, S.A. Candame 15 142 Arteixo La Coruña	49,19
CANPESA	CANTEIRA DO PENEDO, S.A. Reina, 1 – 3º 27 001 Lugo	37,04

Morocco

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

Tunisia

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

Brazil

Name	Full name/headquarters	Effective participation
C.C.B.	COMPANHIA DE CIMENTOS DO BRASIL, S.A. Avª Maria Coelho Aguiar, 215 – Bloco E – 8º J. São Luís – São Paulo/SP – Brasil	99,63
ATOL	COMPANHIA DE CIMENTO ATOL, S.A. Fazenda S. Sebastião Alagoas-S. Miguel dos Campos	100,00
CIMEPAR	COMPANHIA PARAIBA DE CIMENTO PORTLAND, S.A. Fazenda da Graça – Ilha de Bispo-Cidade João Pessoa Paraiba – Brasil	100,00

C.B.	CIMPOR BRASIL, Lda. Av. Mª Coelho Aguiar, 215 Bl E – 8º J. São Luís – São Paulo/SP – Brasil	100,00

Mozambique

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

Egypt

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

South Africa

Name	Full name/headquarters	Effective participation
NPC	NATAL PORTLAND CEMENT COMPANY (PTY) LTD. 199 Coedmore Road Bellair 4094 Durban South Africa	99,80
DCL	DURBAN CEMENT LTD. 199 Coedmore Road Bellair 4094 Durban South Africa	99,80
SRT	THE SIMUMA REHABILITATION TRUST 1 Wedgelink Road Bryanstone South Africa	99,80
NPC - CELL "A7"	NATAL PORTLAND CEMENT (PTY) – CELL "A7" 5 th Floor Sa Eagle House 70 Fox Street Johannesburg South África	99,80

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UNRELATED ACTIVITIES

Name	Full name/headquarters	Effective participation
CIMPOR SERVIÇOS	CIMPOR – SERVIÇOS DE APOIO À GESTÃO DE EMPRESAS, S.A. Rua Alexandre Herculano, 35 1250-009 Lisbon	100,00
CIMPOR FINANCE	CIMPOR FINANCE LIMITED IFSC House, Custom House Quincy – Dublin 1	100,00
CIMPOR B.V.	CIMPOR FINANCIAL OPERATIONS, B.V. Telesport Boulevard, 140 1043 EJ HR Amesterdam The Nederlands	100,00
PENROD	PENROD INVESTMENTS LIMITED Suite 9.4.1.B – Europort – Gibraltar	100,00
CIMPOR IMOBILIÁRIA	CIMPOR IMOBILIÁRIA, S.A. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	100,00
MECAN	MECAN - MANUFACTURA DE ELEMENTOS DE CASAS DE CONSTRUÇÃO NORMALIZADA, Lda. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	100,00
RETONOBA	RETONOBA, S.A. Brasil, 56 36 204 Vigo	100,00
FIVACAR	97 2000 FIVACAR, S.L. Calle Serrano, 91 Madrid	100,00
99 SHIP	99 SHIP, S.A. Calle Serrano, 91 Madrid	100,00
SILOS GALICIA	SILOS GALICIA, S.A. Calle Montero Rios, 30 – 1º 36201 Vigo	84,00
CIMPOR REINSURANCE	CIMPOR REINSURANCE, S.A. – SOCIÉTÉ ANONYME DE REASSURANCE 65, Avenue de la Gare L 1611 - Luxemburg	100,00

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

OTHER RELATED ACTIVITIES

Mozambique

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

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

CEMENT AREAS

Portugal

Name	Full name/headquarters	Effective participation
SEMAPA	SEMAPA - SOCIEDADE DE INVESTIMENTO E GESTÃO, SGPS, S.A. Av. das Forças Armadas, 125 – 7º 1600-079 Lisbon	20,02
CIMENTOS MADEIRA	CIMENTOS MADEIRA, Lda. Estrada Monumental, 433 – São Martinho 9000-236 Funchal	42,86
C + P.A.	C + P.A. – CIMENTO E PRODUTOS ASSOCIADOS, S.A. Rua Alexandre Herculano, 35 1250 – 009 Lisbon	48,00

OTHER RELATED ACTIVITIES

Portugal

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

INTERNATIONAL AREA

Spain

Name	Full name/headquarters	Effective participation
CEMENTOS ANTEQUERA	CEMENTOS ANTEQUERA, S.A. Carretera del Polvorín km 2, margem izquierdo 29 540 Bobadilla, Estacíon. Malaga	20,00

UNRELATED ACTIVITIES

Name	Full name/headquarters	Effective participation
KEEFERS	KEEFERS FINANCE, S.A. Pasea Estate, Road Town-P.O.Box 3149 – Portola British Virgin Island	34,71
CORTEZO	CORTEZO, N.V. P.O.Box 6050, Curaçao Netherlands Antilles	30,00

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

Name	Full name/headquarters	Effective participation
BETO MADEIRA	BETO MADEIRA - BETÕES E BRITAS DA MADEIRA, S.A. Fundoa de Cima – S. Roque 9000 - 801 Funchal	42,86
BRIMADE	BRIMADE - SOCIEDADE DE BRITAS DA MADEIRA, S.A. Fundoa de Cima – S. Roque 9000 - 801 Funchal	42,86
MADEBRITAS	MADEBRITAS - SOCIEDADE DE BRITAS DA MADEIRA, Lda. Fundoa de Cima – S.Roque 9000 - 801 Funchal	21,86
PROMADEIRA	PROMADEIRA - SOCIEDADE TÉCNICA DE CONSTRUÇÃO DA ILHA DA MADEIRA, Lda. Sítio da Cancela, São Gonçalo 9050 - 299 Funchal	42,86
SANIMAR – MADEIRA	SANIMAR - MADEIRA, SOCIEDADE DE MATERIAIS DE CONSTRUÇÃO, Lda. Sítio da Cancela, São Gonçalo 9050 - 299 Funchal	42,86

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

INTERNATIONAL AREA

Spain

Name	Full name/headquarters	Effective participation
HORMIGONES CELANOVA	HORMIGONES MIRANDA CELANOVA, S.A. Crta. de Casasoá, km. 0,1 – La Caseta - Celanova Orense	39,35

INTERNATIONAL AREA

Egypt

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

UNRELATED ACTIVITIES

Name	Full name/headquarters	Effective participation
ETG	ETG - EMPRESA DE TRANSPORTES E GESTÃO, S.A. Rua Corpo Santo, nº 6 – 2º 1200 Lisbon	44,90
SGS	SGS - INDÚSTRIAS DE MADEIRA, S.A. Pico do Cardo – S. António 9000 Funchal	35,00

The following subsidiary companies were consolidated in accordance with the proportional method as its management is exercised jointly with the other shareholder:

OTHER RELATED ACTIVITIES

Portugal

Name	Full name/headquarters	Effective participation
ECORESÍDUOS	ECORESÍDUOS - CENTRO DE TRATAMENTO E VALORIZAÇÃO DE RESÍDUOS, Lda. Rua Alexandre Herculano, 35 1250 - 009 Lisbon	50,00
SCORECO	SCORECO - VALORIZAÇÃO DE, RESÍDUOS, Lda. Av. Severiano Falcão, 8 – Edificio Cimpor 2685 - 378 Prior Velho	50,00

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

CEMENT AREA

Portugal

Name	Full name/headquarters	Effective participation
CECIME	CECIME – CIMENTOS, S.A. R. Cintura do Porto de Lisboa, Armazém 21 Topo Norte 1900 – 649 Lisbon	20,0

READY MIX CONCRETE AND AGREGATES AREA

Portugal

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

OTHER RELATED ACTIVITIES

Portugal

Name	Full name/headquarters	Effective participation
ECOMETAIS	SOCIEDADE DE TRATAMENTO E RECICLAGEM, S.A. Av. Siderurgia Nacional, nº 1, Edifício S.N. 2840 Seixal	2,50

INTERNATIONAL AREA

Spain

Name	Full name/headquarters	Effective participation
AMINSA	APLICACIONES MINERALES, S.A. Ayto. de Valle de Oca, Camino Fuente Herrero, s/n 09 258 Cuevacardiel – Burgos	11,94

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CEMENTOS LEMONA [a]	CEMENTOS LEMONA, S.A. Alameda de Urquijo, 10 – 2º 48 008 Bilbao	19,47
CEMENTOS PORTLAND [a]	CEMENTOS PORTLAND, S.A Pamplona	0,36

(a) Nas Securities listed on stock exchanges, which are stated at market value.

INTERNATIONAL AREA

Egypt

Name	Full name/headquarters	Effective participation
UCF	United Company For Foundries 20, EL – Gazayer Street New Naadi - Cairo	13,49
ASCOM	ASCOM 26, Road 265 New Maadi - Cairo	9,64
ASEMPRO	ASEMPRO 5, Street 260 New Maadi - Cairo	9,64

UNRELATED ACTIVITIES

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

During the year ended 31 December 2003, certain changes occurred in the composition of companies included in the consolidation, resulting mainly from the acquisition of 48% of C+P.A. – Cimento e Produtos Associados, SA and the sale of 50% of Betanteros, S.A.. The impact of those transactions on the balance sheet captions as of 31 December 2003, was as follows:

	Increases / decreases
Property, plant and equipment	(684)
Investments	122
Inventories	(27)
Accounts receivable	(1,126)
Current liabilities	1,431
Minority interest	223
	(61)
Goodwill	1,598
Gain on investments	(376)
Net amount paid	1,161
Cash and equivalents	(41)
Net impact	1,120

3. Summary of significant accounting policies

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

Intangible assets

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

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

Research and development costs related to expenditure on specific projects with economic value, which are amortised on a straight-line basis over three years.

Property, plant and equipment

Property, plant and equipment is stated at cost, which includes acquisition expenses, or, in the case of for 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 computed on a straight-line basis over the estimated useful lives of the fixed assets, except for certain basic equipment which is depreciated using declining depreciation rates. In both methods, the full 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 - 8
Tools and dies	2 - 8
Administrative equipment	2 - 14
Other tangible fixed assets	2 - 10

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

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

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

Finance leases

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

Inventories

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

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

Provisions

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

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

Foreign currency transactions and balances

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

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

Translation of financial statements

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

- Assets and liabilities: exchange rates prevailing at the balance sheet date;
- Profit and loss statement: average exchange rates for the period;
- Share capital, reserves and retained earnings: historical exchange rates; and
- Cash flow statement: period average exchange rates for cash flows were these rates are close to the effective exchange rates; in the remaining cash flows, the exchange rate of the day of the operation.

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

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

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

Negotiable securities

Negotiable securities are stated at the lower of cost or market value, except for those listed on stock exchanges, which are stated at market value.

Retirement pension benefits

Certain subsidiary companies have assumed responsibilities for the payment of pension complements to those paid by the Portuguese Social Security, under two different schemes: a defined benefit plan and a deferred contribution plan. The related liabilities are recorded in accordance with Portuguese Accounting Directive nº 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.

Medical benefits

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

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

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

Income tax

The Cimpor Group has adopted the tax consolidation regime presently in force in Portugal. In accordance with this regime the provision for income tax is determined based on the consolidated estimated taxable income for 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 income, computed in accordance with the tax legislation, at the applicable tax rates.

The income tax provision is computed in accordance with Portuguese Accounting Directive nº 28, whereby consideration is given to timing differences between accounting and taxable income.

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

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

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

Revaluation reserve

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

Environmental reinstatement of land used for quarries

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

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

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

Accrual basis

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

Government grants

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

Current classification

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

4. Negotiable securities

Negotiable securities include money market funds and other liquid investments that are readily convertible to cash with an original maturity of three months or less. These investments are considered as cash equivalents for cash flow purposes.

5. Accounts receivable – trade, net

This caption consists of:

	2003	2002
Accounts receivable from costumers	212,941	187,629
Notes receivable	1,780	1,754
Doubtful accounts receivable	41,084	42,049
Advances to suppliers	1,793	3,365
	257,598	234,797
LESS: PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE	(39,349)	(39,294)
	218,249	195,503

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

6. Other accounts receivable and other non-current assets

These captions consists of:

	2003	2002
Accounts receivable – other, net:		
Accounts receivable from:		
Associated companies	2,133	377
Other	191	1,623
Accounts receivable from public entities	21,313	54,759
Other receivables	35,956	47,422
	59,593	104,181
LESS: PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE	(276)	(534)
	59,317	103,647

	2003	2002
Other non-current assets, net:		
Doubtful accounts receivable	14,478	13,054
Accounts receivable from associated companies	34,294	14,557
Accounts receivable from public entities	2,237	1,896
Other receivables	3,482	5,597
	54,491	35,104
LESS: PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE	(20,835)	(26,442)
	33,656	8,662

Accounts receivable from public entities at 31 December 2003 are made up as follows:

Value added tax	10,299
Income tax	11,500
Withholding tax	488
Other	1,263
	23,550

7. Inventories

This caption consists of:

	2003			2002		
	Cost	Provisions	Net	Cost	Provisions	Net
Raw materials and consumables	93,245	(6,607)	86,638	92,059	(7,255)	84,804
Work in progress	33,418	(1,115)	32,303	30,654	(1,066)	29,588
Sub-products and waste	64	(15)	49	60	(15)	45
Semi-finished and finished products	9,674	(1,468)	8,206	16,867	(1,183)	15,684
Merchandise	9,041	(1,707)	7,334	6,783	(2,422)	4,361
Advances	797	-	797	463	-	463
	146,239	(10,912)	135,327	146,886	(11,941)	134,945

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

Cement held at factories and not yet packed is included in work in progress.

8. Investments, net

This caption consists of:

	2003			2002
	Gross book value	Provisions	Net book value	Net book value
Affiliated companies	77,199	-	77,199	54,125
Other investments	63,892	(3,418)	60,474	54,259
Securities and other investments	12,306	(4,986)	7,320	8,131
Loans granted	984	(772)	212	259
Investments in progress	4,006	-	4,006	-
Advances	2,695	-	2,695	-
Total	161,082	(9,176)	151,906	116,774

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

9. Property, plant and equipment, net

This caption comprises:

	2003	2002
COST:		
Land and natural resources	207,272	212,775
Buildings and other constructions	1,088,716	1,095,976
Basic equipment	2,579,912	2,631,994
Transportation equipment	64,791	72,873
Tools and dies	6,901	6,918
Administrative equipment	44,861	42,593
Containers	132	134
Other	8,834	8,391
Fixed assets in progress	141,092	103,832
Advances	8,842	47,684
	4,151,353	4,223,170
ACCUMULATED DEPRECIATION:		
Land and natural resources	(32,958)	(30,441)
Buildings and other constructions	(787,789)	(777,395)
Basic equipment	(2,033,579)	(2,010,704)
Transportation equipment	(56,681)	(61,001)
Tools and dies	(5,608)	(5,378)
Administrative equipment	(35,128)	(32,010)
Containers	(117)	(116)
Other	(5,936)	(5,994)
	(2.957,796)	(2.923,039)
NET BOOK VALUE:		
Land and natural resources	174,314	182,334
Buildings and other constructions	300,927	318,581
Basic equipment	546,333	621,290
Transportation equipment	8,110	11,872
Tools and dies	1,293	1,540
Administrative equipment	9,733	10,583
Containers	15	18
Other	2,898	2,397
Fixed assets in progress	141,092	103,832
Advances	8,842	47,684
	1,193,557	1,300,131

Depreciation of property, plant and equipment charged to operations during the year ended 31 December 2003 amounted to 135,926 thousand euros.

Property, plant and equipment has been revalued, in accordance with Decree Laws 126/77, 219/82, 399-G/84, 118-B/86, 111/88, 49/91, 264/92 and 22/92 using price indices established by that legislation.

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

	Historical costs	Revaluation	Revalued amounts
Land and natural resources	157,741	16,573	174,314
Buildings and other constructions	249,497	51,431	300,928
Basic equipment	545,610	723	546,333
Transportation equipment	8,110	-	8,110
Tools and dies	1,292	-	1,292
Administrative equipment	9,703	30	9,733
Containers	16	-	16
Other	2,898	-	2,898
Total	974,867	68,757	1,043,624

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

A portion (40%) of the additional depreciation arising from the revaluation is not deductible for income tax purposes (Note 18).

10. Intangible Assets, net

This caption comprises the following:

	2003	2002
COST:		
Start up costs	10,168	8,225
Research and development cost	16,999	27,070
Industrial property and other rights	8,238	7,112
Intangible assets in progress	184	81
Goodwill on acquisitions	1,250,722	1,256,458
	1,286,311	1,298,946
ACCUMULATED AMORTISATION:		
Start up costs	(7,757)	(6,412)
Research and development cost	(16,676)	(26,634)
Industrial property and other rights	(4,110)	(3,242)
Goodwill on acquisitions	(365,849)	(300,123)
	(394,392)	(336,411)
NET BOOK VALUE:		
Start up costs	2,411	1,813
Research and development cost	323	436
Industrial property and other rights	4,128	3,870
Intangible assets in progress	184	81
Goodwill on acquisitions	884,873	956,335
	891,919	962,535

Amortisation of intangible assets charged to operations during the year ended 31 December 2003 amounted to 69,180 thousands euros.

The movement in the caption "Goodwill" in the year ended 31 December 2003, was as follows:

Movement/subsidiaries	Goodwill
Beginning balance	1,256,458
INCREASES:	
Companhia Cimentos Brasil (CCB)	622
Cementos El Monte	107
Celfa	192
H. Hercules	3,923
C+P.A.	1,598
	6,442
DECREASES:	
Cimentos Moçambique (negative "Goodwill")	(2,484)
Setefrete, SGPS	(922)
Natal Portland Cement (NPC)	(8,772)
	(12,178)
Ending balance	1,250,722

The increase occurred in goodwill associated to CCB corresponds to: (i) the exchange devaluation effect of the Brazilian Real, related essentially with acquisition of the participation in Cimentos Brumado in the year ended 31 December 2002; (ii) the difference settled on the additional acquisition of 1.23% of the respective capital, and other corrections; and, (iii) correction of the initial acquisition cost of Cimentos Brumado.

The goodwill increase in Cementos El Monte is the result of acquisition cost corrections and, in Celfa, it resuts of the attribution of fair values.

At 28 July 2003, Hormigones Hércules, S.L. acquired to Group Financiera Y Minera seven concrete centrals and one quarry in Andaluzia, in the amount of 11,800 thousand euros, a goodwill of 3,923 thousand euros being determined by the atribution of fair value to these assets.

At 23 July 2003, Cimpor Indústria acquired 48% of the capital of C+PA, in the amount of 1,720 thousand euros, from which a goodwill of 1.598 thousand euros was determined.

The negative goodwill in Cimentos de Moçambique is the result of a capital increase of 14.41% not subscribed for by the minority shareholders, in the amount of 11,664 thousand euros. The goodwill decrease in Setefrete, SGPS, is due to the disposal of 10.08% of the respective capital, in the amount of 1,580 thousand euros.

Goodwill reduction in NPC results from the definite attribution of fair values, and from a correction to acquisition cost in the amount of 324 thousand euros.

11. Loans

This caption consists of:

	2003		2002	
	Short-term	Long-term	Short-term	Long-term
Bank loans	329,711	1,182,630	552,072	949,085
Bonds	1,359	6,797	-	9,849
Others loans	2,531	8,384	305	9,631
	333,601	1,197,811	552,377	968,565

The short - term bank loans include:

Type	Currency	Interest rate	Amount
Syndicated Loan	EUR	Euribor + 0.4%	189,007
Syndicated Loan	USD	Libor + 0.4%	39,588
Bilateral	USD	Libor + 1%	2,491
Industrial Investments	BRL	-	2,486
Bilateral	EGP	Caibor + 1.125%	2,100
Bilateral	EGP	9.50%	914
Bilateral	EUR	Euribor + 1.5%	501
Others	EUR	-	11,027
Overdrafts	-	-	81,597
			329,711

The long – term bank loans include:

Type	Currency	Interest rate	Amount
Syndicated loan	EUR	Euribor + 0.50%	300,000
Bilateral	EUR	Euribor + 0.675%	250,000
US Private Placements – 12 year	USD	4.75%	216,724
US Private Placements – 10 year	USD	4.90%	127,986
Syndicated loan	EUR	Euribor + 0.40%	94,503
BEI Loan	EUR	EIB Basic Rate	60,000
Bilateral	EUR	Euribor + 0.60%	50,000
Bilateral	EGP	Caibor + 1.125%	20,998
Syndicated loan	USD	Libor + 0.4%	19,794
Industrial Investments	BRL	-	9,412
Bilateral	USD	Libor + 1%	4,751
Bilateral	EUR	Euribor + 1.5%	3,508
Others	-	-	24,954
			1,182,630

At 31 December 2003, the medium and long-term portion of the loans was repayable as follows:

2005	456,144
2006	132,315
2007	136,566
2008	73,081
2009 and following years	399,705
	1,197,811

The principal financial conditions of the loans at 31 December 2003 were as follows:

Rating

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

Control of the subsidiary companies

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

At 31 December 2003 the comfort letters provided by the holding and other subsidiary companies totalled 478,165 thousand euros.

Financial Covenants

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

The principal loans at 31 December 2003 include commitments to maintain the following financial ratios:

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

At 31 December 2003 these ratios were within the commitments established.

Negative pledge

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

Cross Default

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

12. Accounts payable - trade

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

	2003	2002
Advances for sales	3,343	1,770
Accounts payable to suppliers	97,004	99,272
Notes payable	29,721	20,604
Advances from customers	1,241	1,857
	131,309	123,503

13. Accounts payable - other

This caption consists of:

	2003	2002
Accounts payable to related companies	1,086	548
Suppliers of fixed assets	47,747	277,141
Other creditors	24,388	17,389
	73,221	295,078

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

At 31 December 2003, this caption consists of:

DEFERRED COSTS:	
Premium paid (a)	5.476
Others	1.764
	7.240
ACCRUED EXPENSES:	
Accrued vacation pay and bonuses	10.099
Tax accrued expenses (b)	9.843
Interests	7.411
Retirement pension benefit liabilities	1.843
Others	5.289
	34.485
DEFERRED INCOME:	
Premium received (a)	15.085
Investment subsidies	3.493
Others	2.281
	20.859

(a) Relates to premiums paid and received as the result of derivative financial instruments contracts to hedge the interest rate risk.

(b) The Brazilian tax normative includes taxes which have the income in each period as the incidence base. One of the subsidiary companies in Brazil is judicially questioning one of the mentioned taxes as well as the respective incidence base. The accrued expenses concerns the tax value in question.

15. Taxes payable

This caption consists of:

Value added tax	12,381
Income tax	7,531
Withholding tax	4,693
Social security contributions	2,949
Others	5,229
	32,783

16. Movement in the provisions

During the year ended 31 December 2003, the movement in the provision account balances, was as follows:

	Opening balance	Changes in subsidiaries	Exchange differences	Increases	Decreases	Transfers	Ending balance
Provision for treasury applications	1,187	-	-	1,152	-	-	2,339
Provisions for doubtful accounts receivable	66,270	(168)	(945)	5,914	(10,611)	-	60,460
Provisions for risks and costs	118,733	-	(5,187)	22,872	(8,382)	(87)	127,949
Provision for inventories	11,941	-	(999)	1693	(2,158)	435	10,912
Provision for investments	9,570	-	(43)	490	(841)	-	9,176
	207,701	(168)	(7,174)	32,121	(21,992)	348	210,836

At 31 December 2003, provisions for risks and costs were made up as follows:

Tax contingencies	90,353
Liability for pension and health benefits	16,397
Provisions for environmental reinstatement	3,816
Other provisions for risks and costs	17,383
	127,949

The increase in provisions was recorded as follows:

Provisions	18,433
Extraordinary items	12,034
Income tax (Note 18)	1,189
Payroll costs	425
Others	40
	32,121

17. Other non-current liabilities

This caption consists of:

	2003	2002
Suppliers of fixed assets	15,052	18,447
Other	757	2,422
	15,809	20,869

18. Income tax

Cimpor – Cimentos de Portugal, SGPS, S.A. and the Portuguese subsidiaries are subject to corporate income tax at a rate of 30% and municipal surtax of 10%. Gains and losses in associated companies recorded under the equity method are not relevant for tax purposes. The same applies to dividends received from subsidiary and associated companies.

The Company and its 90% or more owned subsidiaries in Portugal are subject to the special regime for taxation of groups of companies as from 2001. This regime consists of applying, to the consolidated taxable results of the companies included in the consolidation less dividends distributed, the corporate income tax rate plus 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 2000 to 2003 are still subject to review.

As a result of a review made by the tax authorities of the corporate income tax returns for the years 1996 to 1999, corrections were made to the taxes paid, the most significant item being the increase in depreciation resulting from the revaluation of property, plant and equipment. The Board of Directors, based on technical opinions of its consultants, believes 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, if payment of the above tax is due, a refund of the equivalent amount is due from a Government body (Fundo de Regularização da Dívida Pública).

The contingency of these situations are provided for in the captions Provisions for risks and costs.

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

Reconciliation of the income tax provision at the statutory Portuguese income tax rate, for the year ended 31 December 2003, and the effective income tax rate, is as follows:

	Tax base	Income tax
Income before income tax	265,747	
Permanent differences	56,782	
	322,529	
Normal charge		106,434
Tax benefits, rates differences and other		(31,363)
Tax contingencies		1,189
Corrections to deferred taxes (change on tax rate)		(1,348)
Other adjustments		(2,279)
Charge for the period		72,633

Permanent differences include mainly the impact of the investments valuation criteria, amortisation of goodwill and increases in provisions for tax contingencies.

The charge for the year is made up as follows:

Current income tax	35,374
Deferred tax for the year ended 31 December 2003	38,349
Other adjustments	(2,279)
Tax contingencies	1,189
Income tax for the year	72,633

The movement in deferred taxes in the year ended 31 December 2003 is as follows:

	Opening balance	Net income	Changes in group companies	Shareholders' equity	Fair value	Closing balancel
DEFERRED TAX ASSETS:						
Revaluations and adjustments to property, plant and equipment	54,348	(15,036)	(9)	166	-	39,469
Provision for doubtful accounts receivable	8,338	(5,321)	-	(5)	-	3,012
Provisions for risks and costs	8,587	(348)	-	(463)	-	7,776
Provision for inventories	3,035	(361)	-	(284)	-	2,390
Other provisions	2,760	(219)	-	-	-	2,541
Others	11,472	(7,114)	-	22	-	4,380
Tax losses carried forward	53,511	(27,821)	111	19,763	-	45,564
	142,051	(56,220)	102	19,199	-	105,132
DEFERRED TAX LIABILITIES:						
Revaluations and adjustments to property, plant and equipment	102,826	(10,922)	(2)	(21,235)	4,772.0	75,439
Investments	9,998	(9,241)	-	-	-	757
Reinvestment of capital gains	962	(300)	-	-	-	662
Others	2,979	2,592	-	1	-	5,572
	116,765	(17,871)	(2)	(21,234)	4,772.0	82,430
Net deferred tax	25,286	(38,349)	104	40,433	(4,772.0)	22,702

19. Minority interests

This caption consists of:

	Equity	Profit and loss
Cimentaçor Group	2,370	744
Cimpor Betão Group	17,906	1,114
Corporación Noroeste Group	11,338	315
Cement Trading Activities	985	588
Cimentos de Moçambique	16,149	361
Asment de Temara	24,519	4,134
Companhia de Cimentos Brasil	870	131
Amreyah Cement Company	3,983	(194)
Others	209	37
	78,329	7,230

Minority interest reflected on the balance sheet as of 31 December 2003 and statement of profit and loss for the year then ended, corresponds to third party participation in the equity and results of the above mentioned Group companies.

Where subsidiaries have negative shareholders' equity, no minority interests are allocated.

Number of shares

20. Share capital and reserves

At 31 December 2003, Cimpor's fully subscribed and paid up share capital was represented by 672 million shares with a nominal value of one euro each.

At 31 December 2003, the last known capital structure of the Company was as follows:

	%	Number of shares
Teixeira Duarte, SGPS, S.A. (a)	32.08	215,570,230
Financiére Lafarge, S.A. (a)	12.64	84,908,825
Fundo de Pensões do Banco Comercial Português	10.00	67,200,000
Cartera Lusitania, S.A. (a)	9.62	64,623,890
Secil – Companhia Geral de Cal e Cimento, S.A. (a)	9.00	60,484,000
C+PA – Cimentos e Produtos Associados, S.A. (a)	4.55	30,589,753
Credit Agricole Lazard Financial Products Bank	4.36	29,332,295
Others	17.75	119,291,007
	100.00	672,000,000

(a) Including shares owned by related companies and its corporate board members.

Own shares

The Portuguese commercial legislation obliges the existence of a free reserve to the same amount as the acquisition price of those shares, which becomes unavailable until those shares are sold. The applicable accountancy rules determined that the profits and loss in the sale of own shares should be registered in reserves.

The movement in own shares corresponds to the sale of 925,000 shares to the Pension Fund of Cimpor – Indústria de Cimentos, S.A., and the sale of 436,920 shares to several employees of the Group, by a global amount of 4,273 thousand euros, and generated a decrease of 34 thousand euros in other reserves. During the year ended 31 December 2003, 717,930 own shares were purchased. At the end of the year the Company had 5,340,565 own shares.

Revaluation reserve

This caption results from the revaluation of property, plant and equipment in accordance with the applicable legislation (Note 9). In accordance with current legislation and the accounting practices followed in Portugal this reserve can only be used, when realised, to cover losses or to increase share capital.

Legal reserve

In accordance with current legislation the Company must appropriate, to the legal reserve, 5% of its annual net profit until the reserve equals a minimum of 20% of capital. This reserve cannot be distributed to the shareholders but can be used to absorb losses once all the other reserves have been used, up or to increase capital.

Currency translation adjustments

The decrease in the balance of the caption "Currency translation adjustments" results from the effect of exchange devaluations arising during the year ended 31 December 2003 on the translation, to euros, of the financial statements of subsidiaries operating in other countries.

21. Segment reporting

The Group operates in several geographical areas. The main information at 31 December 2003 for each of these locations is as follows:

	Portugal	Spain	Brazil	South Africa	Tunisia	Morocco	Egypt	Others	Eliminations	Consolidated
REVENUES:										
External sales	554,551	304,924	223,539	69,119	54,918	56,082	55,302	42,465	-	1,360,900
Inter segmental sales	46,153	1,288	-	32	-	-	-	3,345	(50,818)	-
Total revenue	600,704	306,212	223,539	69,151	54,918	56,082	55,302	45,810	(50,818)	1,360,900
External operational results	87,699	90,351	61,331	22,694	2,738	18,287	(2,319)	8,173	-	288,954
Inter segmental operational results	43,626	(38,302)	-	(980)	(1,856)	(1,533)	(277)	(678)	-	-
Total operational results	131,325	52,049	61,331	21,714	882	16,754	(2,596)	7,495	-	288,954
External financial results	2,364	(26,522)	3,320	1,404	(731)	418	(4,968)	(17,850)	-	(42,566)
Inter segmental financial results	(736)	(14,571)	(2,149)	(44)	-	-	-	17,500	-	-
Total financial results	1,628	(41,093)	1,171	1,360	(731)	418	(4,968)	(350)	-	(42,566)
Share of associates net profit	7,051	-	-	-	-	-	-	-	-	7,051
Income taxes	(53,038)	5,283	(13,776)	(8,587)	1,419	(4,574)	1,590	(950)	-	(72,633)
Profit – Ordinary activities	86,966	16,239	48,726	14,487	1,570	12,598	(5,974)	6,195	-	180,806
Extraordinary item	19,745	736	(644)	(179)	1,137	(2,152)	(6,811)	475	-	12,307
Inter segmental extraordinary results	-	-	-		-	-	-	-	-	-
Total extraordinary results	19,745	736	(644)	(179)	1,137	(2,152)	(6,811)	475	-	12,307
Minority interest	2,443	318	131	-	-	4,134	(194)	398	-	7,230
Net Profit	104,268	16,657	47,951	14,308	2,707	6,312	(12,591)	6,272	-	185,883
OTHER INFORMATIONS:										
Segment assets	782,368	569,250	856,036	142,535	186,496	92,902	383,277	76,308	-	3,089,172
Inter segment assets	925,364	584	-	230	-	63	495	484,166	(1,410,902)	-
Investments in associates (Equity)	75,314	1,885	-	-	-	-	-	-	-	77,199
Segment liabilities	328,850	1,022,350	70,247	22,292	40,214	22,614	115,478	428,212	-	2,050,257
Inter segment liabilities	(839,711)	(489,517)	(29,263)	19,050	(1,049)	714	(68,938)	(2,188)	1,410,902	-
Fixed capital expenditure	43,214	28,729	23,281	346	17,195	8,513	41,497	1,486	-	164,261
Amortisation	63,613	30,585	53,412	9,039	11,834	8,500	23,211	4,912	-	205,106
Other non-cash expenses	11,368	2,886	721	425	626	124	663	1,620	-	18,433

These segments are consistent with the way management currently analyses its business.

Following is a break-down of the main information as of 31 December 2003 by business segment:

Business segment	Sales	Total assets	Fixed capital expenditure
Cement	984,664	2,374,981	137,431
Ready-mix and pre-cast concrete	337,343	264,654	20,551
Others	38,893	449,537	6,279
	1,360,900	3,089,172	164,261

22. Payroll expenses

This caption consists of:

	2003	2002
Salaries	107,585	93,890
Social charges:		
Pensions	2,740	18,325
Other	42,640	40,026
	152,965	152,241

The average number of employees of the companies included in the consolidation (Note 2) at 31 December 2003 was as follows:

	2003	2002
Holding company– Central services	130	131
Portugal		
Cement activity	833	872
Ready-mix concrete	479	553
Other activities	472	475
International	4,059	3,843
Other activities	-	1
	5,973	5,875

23. Financial expenses, net

This caption consists of:

	2003	2002
INCOME:		
Foreign exchange gain	16,726	20,138
Interest income	31,912	19,527
Gain on the sale of treasury applications	523	12,197
Gain in associated companies	8,257	4,475
Gain in participations	3,045	2,909
Other financial income	22,994	9,289
	83,457	68,535
EXPENSES:		
Interest expense	61,070	60,206
Foreign exchange loss	35,866	14,083
Cash discounts allowed	4,614	3,192
Provision for investments	-	1,837
Other financial expenses	17,422	12,547
	118,972	91,865
Net financial expenses	(35,515)	(23,330)

24. Extraordinary items, net

This caption consist of:

	2003	2002
EXTRAORDINARY INCOME:		
Decrease in amortisation and provisions	16,985	35,083
Capital gains	5,290	9,771
Other extraordinary income	17,088	16,341
	39,363	61,195
EXTRAORDINARY EXPENSES:		
Increase in amortisation and provisions	12,506	73,635
Corrections relating to prior years	567	3,242
Capital losses	1,119	1,012
Uncollectable debts	1,682	1,003
Other extraordinary expenses	11,182	20,536
	27,056	99,428
Net extraordinary items	12,307	(38,233)

Other extraordinary incomes include the actuarial reevaluation of retired employees pensions liabilities, as referred in Note 26, which amounts to 11,293 thousand euros.

The decrease in amortisation and provisions include the effect of utilisation, and decreases in several provisions recorded in preceding years to cover liabilities for restructuring costs, doubtful accounts receivable and other several contingencies.

25. Guarantees

At 31 December 2003 the Group companies had bank guarantees given to third parties totalling approximately 177,305 thousand euros. Of those, 56,526 thousand euros relates to guarantees given to tax authorities in relation to the situations referred in Note 18.

26. Commitments

Some of the Group companies have financial commitments under contracts to acquire tangible fixed assets, of which 30,328 thousand euros for the Portuguese business area, 14,714 thousand euros for the Morocco business area, 2,369 thousand euros for the Spanish business area and 4,442 thousand euros for the Egyptian business area.

All the financial commitments, including discounted bills, are reflected in the appropriate captions.

In accordance with the Portuguese Commercial Company Code, the parent company Cimpor – Cimentos de Portugal, SGPS, S.A. is jointly responsible for the obligations of its fully controlled subsidiary companies.

Cimpor Indústria – Pension Fund

Cimpor Indústria has two pension plans for its employees, depending on the year they were hired, as follows:

- Employees hired prior to 31 December 1998 are covered by the defined benefit non contributory plan (unless they have opted, up to 31 December 2002, for the other plan);
- Employees hired after 1 January 1999 are covered by a defined contribution plan with the possibility of the participants contributing.

The liability resulting from the above mentioned benefit plans was transferred to the CIMPOR Pension Fund, which is managed by a specialised independent entity, the amount of the liability being determined half yearly based on actuarial studies made by independent experts (the most recent study available is as of 31 December 2003).

The Projected Unit Credit method and the following technical and actuarial bases were used in the actuarial studies made as of 31 December 2003 and 2002:

Technical actuarial rate	4.50%
Pension growth rate	2.25%
Return on plan assets	5.50%
Salary growth rate	2.50%

In addition, the following demographic assumptions were used as of 31 December 2003 and 2002:

Mortality table	TV 73/77
Disability table	EKV80

In accordance with the actuarial studies the pension costs for the years ended 31 December 2003 and 2002, were as follows:

	2003	2002
Current service costs	610	637
Interest expense on liabilities	3,804	3,255
Actual return on fund's assets	(5,577)	1,658
Actuarial gains and losses related to past services	(10,464)	11,237
	(11,627)	16,787

Included in the actuarial gains and losses related to past services is an actuarial reevaluation of the pension liabilities with employees retired until 31 December 2002 amounting to 11,293 thousend euros.

As mentioned previously, the liability for payment of the above mentioned social benefits was transferred to an autonomous pension fund to which the Company (and indirectly the associated companies with employees covered) makes regular cash contributions. At 31 December 2003 and 2002 the difference between the present value of the past service liability and market value of the fund's assets was as follows:

	2003	2002
RETIRED EMPLOYEES:		
Present value of pensions under payment	49,973	61,924
ACTIVE EMPLOYEES:		
Present value of past service liability	15,876	14,865
	65,849	76,789
Market value of fund's assets	64,005	51,177
Unfunded liability	1,844	25,612

The unfunded liability of 1,844 thousand euros at 31 December 2003 is reflected in a specific "Accrued expenses" caption (Note 14).

In the year ended 31 December 2003 costs of 706 thousand euros relating to the defined contribution plan liability were recorded.

Cimpor Indústria – Medical benefits (Healthcare services)

Cimpor Indústria has a healthcare plan for its employees to supplement the Social Security official healthcare services, under which it participates, under the Supplementary Benefits regulations in force since 1 October 1995, in the healthcare costs of the employees covered by the plan (current, early retired and retired employees and their families). The regulations configure this as a defined benefits plan, and there is no fund to cover the liability.

Management of the healthcare plan contemplated in the Regulations is based on a scheme of advances and reimbursements managed directly by Cimpor Indústria.

In the year ended 31 December 2003 a study was made using actuarial methods, based on the existing statistical data, to determine the amount of the liability.

The study was made using the following assumptions and technical bases:

Mortality table	TV 73/77
Interest rate	5.00%
Discount rate	5.00%
Nominal rate of increase in healthcare costs	5.00%
Normal retirement age	65 years
Average family:	
Employees	2
Non employees	2
Cost per capita	283 euros

At 31 December 2003 there was a provision of 11,240 thousand euros in the caption "Provisions for other risks and costs" (Notes 16 and 24), made up as follows:

- Present value of past service liability of retired personnel, amounting 6,236 thousand euros;
- Present value of past service liability of current personnel at 1 January 2003, in the amount of 5,004 thousand euros;
- Cost of services rendered in the year ended 31 December 2003, relating to the following:

Current service cost	254
Interest cost	537
Actuarial gains and losses	55
	846
Benefits paid during the year	(421)
	425

Liability for supplementary pensions and other benefits in other companies

Other Group companies have retirement benefits, relating to pension supplements and other supplementary healthcare benefits. The liability under these plans is determined annually based on actuarial studies made by independent entities, the costs computed in these studies being recorded in the period.

The overall situation of these plans at 31 December 2003 is as follows:

Present value of the projected liability	10,652
Unfunded liability	5,157
Net profit for the year	(1,797)

The unfunded liability is recorded in the caption "Provisions for other risks and charges". The net profit for the year was recorded in the caption "Payroll expenses", cost of 1,522 thousand euros, and "Other extraordinary income", profit of 3,319 thousand euros.

27. Stock options plan

The Company has in force an *Employee Stocks Acquisition Pla*n and a *Stock Options Plan*.

Within the scope of the implementation of the mentioned *Employee Stocks Acquisition Plan*, the annual General Assembly, held in 14th May 2003, approved the sale of own shares, regarding the Group's Members of Board of Directors and Employees.

The Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, S.A., grants the assignment to the beneficiaries of the mentioned Plan, excepting to the Members of the Board of Directors themselves whose attribution is determined by the Remuneration Committee.

Each beneficiary is granted the right of acquiring shares, at a price equal to eighty-five percent of the closing price value of the dealing operation day, until a maximum amount not exceeding half of his monthly illiquid base remuneration.

The annual General Assembly also approved the alienation of own shares, regarding the implementation of the Cimpor Stock Options Attribution - Plan. This Plan, whose assignments to beneficiaries is also attributed by the same members of the before mentioned Plan, grants to beneficiaries the right of acquiring Cimpor shares (initial options), at a price not lower than eighty-five percent of the average closing price of the sixty stock market sessions next before that date. For every option exercised, the beneficiary is granted to acquire one new option, at the same price (derived options), in each one of the next three years.

With regard to this Plan, the first options were attributed on 31 July 2003, being exercised 194,310 at a unit price of 2,84 euros, and 66,500 of them exercised by Members of the Board of Directors.

At 31 December 2003, the Company has enough own shares to meet the inherent responsibilities of those referred incentive plans.

28. Financial instruments

Under the risk management policy of Cimpor Group, a wide range of derivative financial instruments had been contracted to hedge the interest and exchange rate risks.

The Group contracts this type of instruments after evaluating the risks incurred by its assets and liabilities' portfolio and verifying which instruments available in the market are the more adequate to hedge those risks.

These instruments are subject to prior approval of the Executive Committee and are permanently monitored by the Financial Operations Area. Several indicators relating to them are periodically determined, namely the market value and the sensitivity of both projected cash flows and market value to changes on key variables, with the aim of assessing their financial effect.

Interest rate risks

At 31 December 2003 the Group had the following interest rate derivative contracts with financial institutions, with the objective of controlling the level of its future financial costs, prevailing structures with hybrid fixed rates:

Amount	Type of operation	Maturity	Purpose
EUR 250,000,000	Short Floor on 10Y USD CMS	2009	Hedge of 53% of the EUR tranche of the Syndicated Loan 2000-2005
EUR 250,000,000	Fixed rate with short put swaption	2009	
USD 75,000,000	Fixed rate	2005	Hedge of 100% of the USD tranche of the Syndicated Loan 2000-2005
EUR 50,000,000	Fixed rate with short put Option Fixed rate with short put Option	2009	Hedge of 17% of the Syndicated Loan 2003-2008
EUR 50,000,000	Fixed rate	2008	Hedge of 17% of the Syndicated Loan 2003-2008
EUR 216,723,549	Variable subsidized rate	2015	Hedge of 100% of the euro leg of the cross-currency swap on the 12-Y US Private Placement

Exchange rate risks

There were also the following operations to hedge exchange rate risks relating to the Group's foreign currency debt service and financial flows:

Amount	Type of operation	% Coverage	Maturity	Purpose
EUR 11,055,832	Forward purchase EUR/ZAR	22%	31-Dec-04	NPC capital hedge
EUR 36,036,036	NDF purchase EUR/BRL	26%	31-Dec-04	CCB capital hedge
EUR 1,500,000	NDF purchase EUR/TND	50%	10-Feb-04	Partial hedge of local investment
USD 22,500,000	Fader with knock-out EUR/USD 1.1770 EUR/USD 1.1750 EUR/USD 1.1720	30%	30-Jun-04 30-Dec-04 30-Jun-05	Hedge of Principal related to the dollar tranche of Syndicated Loan 2000-2005
USD 22,500,000	Fader with knock-out EUR/USD 1.1650 EUR/USD 1.1620 EUR/USD 1.16	30%	30-Jun-04 30-Dec-04 30-Jun-05	Hedge of Principal related to the dollar tranche of Syndicated Loan 2000-2005
USD 185,185	Put purchase and call sale EUR/USD 1.1790	0.25%	30-Jun-04	Hedge of Principal related to the dollar tranche of Syndicated Loan 2000-2005
USD 185,185	Put purchase and call sale EUR/USD 1.1770	0.25%	30-Dec-04	Hedge of Principal related to the dollar tranche of Syndicated Loan 2000-2005
USD 185,185	Put purchase and call sale EUR/USD 1.1750	0.25%	30-Jun-05	Hedge of Principal related to the dollar tranche of Syndicated Loan 2000-2005
USD 150,000,000	Cross-Currency Swap EUR/USD	100%	27-Jun-13	Hedge of Principal and interest related to the 10Y of US Private Placements
USD 254,000,000	Cross-Currency Swap EUR/USD with Range Accrual sale	100%	27-Jun-15	Hedge of Principal and interest related to the 12Y of US Private Placements
EUR 20,000,000	Cross-Currency Swap EUR/BRL	100%	17-Jun-05	Hedge of Principal and interest related to the 5th FRN granted by CFL
EUR 19,000,000	Cross-Currency Swap EUR/ZAR	100%	27-Nov-08	Hedge of Principal and interest related to Intercompany loan granted by CIMPOR Inversiones

The fair value of the derivative financial instruments at 31 December 2003, was as follows:

(10^3 euros)	Fair value
FINANCIAL INSTRUMENTS HEDGING RISKS:	
Interest rate	(76,639)
Exchange rate	(44,875)

For exchange rate financial instruments, the difference between rates at 31 December 2003 and contracting rates were accounted.

For interest rate financial instruments, the accruals for the period ended in 31 December 2003, were accounted for. Additionally the premiums paid or received were accounted as deferred costs or income (Note 14).

29. Information on environmental issues

Environmental policy

The Cimpor Group has employed policies to meet the cement sector`s characteristic environmental impacts, especially at factories and quarries. These measures are applied to prevent, reduce or repair environmental damages arising from the Group`s activities and to comply with growing legal impositions. The essential issues related with the application of these polities are detailed in Consolidated Annual Report.

Environmental expenditure

The following types of environmental expenditure incurred by the Group`s companies in the year ending on 31 December 2003 were entered directly in the results and capitalised:

	Costs	Investments
Atmospheric emissions	5,521	7,000
Waste water management	685	2,126
Waste management	2,792	73
Soil and subterranean water protection	136	1,000
Noise and vibration	12	1,448
Nature protection	1,245	806
Others	29	1,492
Total	10,420	13,945

The aforementioned costs allocated directly to results do not include personnel costs incurred in the various environmental protection actions or the effect of the years amortisation of investments made in year ending on 31 December 2003 and previous years investments on environmental expenditure that was capitalised.

Grants received

In previous years the Group received financial non-repayable grants of 4,913 thousands euros to subsidise the investments in industrial equipment to improve environmental performance, of which we highlight the installation of bag filters. These grants are entered as deferred income and included in results when the respective subsidised assets are amortised. As at 31 December 2003, 1,516 thousands euros were recorded as deferred income to be registered in the results of future years.

Environmental liabilities

The Group`s most substantial environmental liabilities were incurred to recover the landscape of its quarries. As indicated in Note 3, provisions have been set up to meet the estimated costs for the environmental recovery and restoration of the areas in operation. These provisions are set up during the exploration period and are based on technical studies to determine the expenses of the said recovery.

On 31 December 2003, the total estimated costs to recover the landscape of business areas in Portugal, Spain, Morocco and South Africa reached 13.610 thousands euros, for which provisions of 3.816 thousands euros were set up in view of the areas under operation and the forecast operation periods.

These provisions underwent the following changes during the year ending on 31 December 2003 (Note 16):

	Opening balance	Increases	Decreases	Ending balance
Environmental reinstatement	3,131	1,152	(467)	3,816

In other business areas, the Group has been progressively restoring quarry areas no longer in operation. The respective costs are registered during the restoration period, and it is estimated that – considering the areas in operation, the forecast operation periods and the restoration already carried out – there will be no significant additional expenses.

30. Subsequent events

The more significant events that occurred after 31 December 2003 are described in the Director's Report.

31. Note added for translation

The accompanying financial statements are a 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.


CIMPOR

CIMPOR

Consolidated Annual Report

Audit Committee Report and Opinion
Legal Certification of Accounts and Auditor's Report
Auditor's Report

Audit Committee Report and Opinion

Consolidated Financial Statement for 2003

(Translation of a report originally issued in Portuguese – Note 31)

Dear Shareholders,

In compliance with the applicable legislation and with the articles of association of CIMPOR – Cimentos de Portugal, SGPS, S.A. ("Company") and the mandate under which we were appointed, the Audit Committee hereby submits its report and opinion on the consolidated financial statements for 2003 as submitted by the Board of Directors for appraisal.

1. Activity of the Audit Committee

The Audit Committee monitored the activity and business carried out by the Company and by its main subsidiaries, especially through an appraisal of the documents, accounting records and minutes of the meetings of the Board of Directors and of the Executive Committee, and through consultation and analysis of other documentation, with a view to assessing compliance with the provisions of the law and of the articles of association. The Audit Committee also carried out tests and other procedures in such depth as it deemed necessary under the circumstances.

Within the scope of its activities, the Audit Committee kept in regular contact with the Executive Committee of the Board of Directors and with the Company's various services, having obtained such information and clarification as were deemed necessary.

In accordance with the statutory provisions, the Audit Committee held monthly meetings and other periodic meetings when circumstances warranted such, independently of the work carried out by each of its members to analyse the documentation provided and to monitor the financial situation, with particular emphasis on the evolution of the operations per geographic market and per business area.

We found that the consolidated perimeter and/or the exclusions were determined in compliance with the requirements of Decree-Law 238/91 of July 2, and that in essential aspects the rules governing the consolidation of accounts set out in the said decree-law were appropriately applied.

With regard to the companies included in the consolidation perimeter located in Portugal, we appraised the respective reports and opinions issued by their supervisory boards in compliance with the legal and statutory provisions applicable to them. With regard to companies headquartered abroad, we appraised their auditor reports regarding the manner in which the respective audits were performed and the respective conclusions.

2. Consolidated Management Report

The Management Report, for which the Board of Directors is responsible, addresses in detail the more relevant events of 2003 and the main events subsequent thereto relevant to an understanding of the current situation of the Company and its subsidiaries ("Cimpor Group") in keeping with the requirements of the Companies Code.

The Group focuses on the production and marketing of cement that is carried out in eight countries. Despite the unfavourable development in some of the markets and the steep depreciation of some of the national currencies, the Group's net result was greater than in the previous year, although influenced by the expansion of the consolidation perimeter.

An analysis of the various geographic segments reveals that the Portuguese business area saw its relative weight within the Group decrease. On the contrary, the Spanish business area increased substantially, consequent to the acquisition of three production units in Spain, as did the South African business area.

The Management Report shows improvement in several indicators of an economic and financial nature, especially the production capacity, operating cash flow, operating income and return on equity, despite the slightly lower margins. In step with the market trend, which worsened during the second half of 2002, stock market capitalisation performed poorly.

As for prospects for 2004, the Board of Directors has expressed some uncertainty about the ability to maintain the sales volume due to the global economic scenario, particularly with regard to the civil construction and public works sector.

3. Consolidated Financial Statements

Within the scope of its duties, the Audit Committee reviewed the consolidated financial statements, which include the consolidated balance sheet as at December 31, 2003, the consolidated statements of income by nature and by function of expense, the cash-flow statement and the respective notes drawn up by the Board of Directors. In this review, we noted that the accounting principles used in their preparation were in keeping with those generally used in Portugal and that the legal and statutory requirements had been met.

4. Conclusions

The Audit Committee took cognisance of the report issued by the Official Auditor under the terms of Article 451 and 452 of the Companies Code and of the Legal Certification of the Accounts and Audit Report of the Consolidated Accounts issued by the said Auditor, with which it is in agreement.

In carrying out our duties, we found nothing that infringed legal or statutory requirements or that materially affected the true and fair image of the financial situation, of the results and of the cash flows of the companies included in the consolidation.

The Audit Committee also expresses its gratitude for their cooperation to the Board of Directors, its Executive Committee in particular, and to the senior staff and other employees of the Company with whom it contacted.

In view of the aforementioned, the Audit Committee issues the following:

Opinion

The Consolidated Management Report, the Consolidated Balance Sheet, the Consolidated Statements of Income by nature and by function of expense, the Consolidated Cash-flow Statement and the corresponding Notes to the Accounts for 2003 are in accordance with applicable accounting, legal and statutory provisions and are in a position to be approved at the Annual General Meeting.

Lisbon, 20 April 2004

Ricardo José Minotti da Cruz Filipe
Chairman

Freire, Loureiro e Associados, SROC S.A.
Represented by Carlos Pereira Freire
Member

José da Conceição da Silva Gaspar
Member

Legal Certification of Accounts and Auditor's Report

Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 31)

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 2003, which comprise the consolidated balance sheet as of 31 December 2003, which reflects a total of 3,089,172 thousand Euros and shareholders' equity of 960,586 thousand Euros, including a net profit of 185,883 thousand Euros, the consolidated statements of profit and loss by nature and by functions and the consolidated statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The Company's Board of Directors is responsible for: (i) the preparation of consolidated financial statements which present a true and fair view of the financial position of the Company and its subsidiaries, the results of their operations and their cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria, as well as the maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations, financial position or results of operations of the companies included in the consolidation.

3. Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verification that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4. Our examination was performed in accordance with the Auditing Standards (Normas Técnicas e Directrizes de Revisão/Auditoria) issued by the Portuguese Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas), which require that the examination be

planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Company's Board of Directors, used in their preparation. Our examination also included: verification of the consolidation procedures; verification of the application of the equity method and that the financial statements of the companies included in the consolidation have been appropriately examined; assessment of the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances; verification of the applicability of the going concern concept; verification of the adequacy of the overall presentation of the consolidated financial statements and; assessment that, in all material respects, the financial information is complete, true, up-to-date, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the other consolidated accounting documents. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above, present fairly, in all material respects, the consolidated financial position of Cimpor – Cimentos de Portugal, SGPS, S.A. as of 31 December 2003 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal, 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.

Lisbon, 20 April 2004

Freire, Loureiro e Associados, SROC S.A.
Represented by Carlos Pereira Freire

Auditor’s Report

Consolidated Financial Statements

(Translation of a report originally issued in Portuguese – Note 31)

To the Shareholders and Board of Directors of

Cimpor – Cimentos de Portugal, SGPS, S.A.

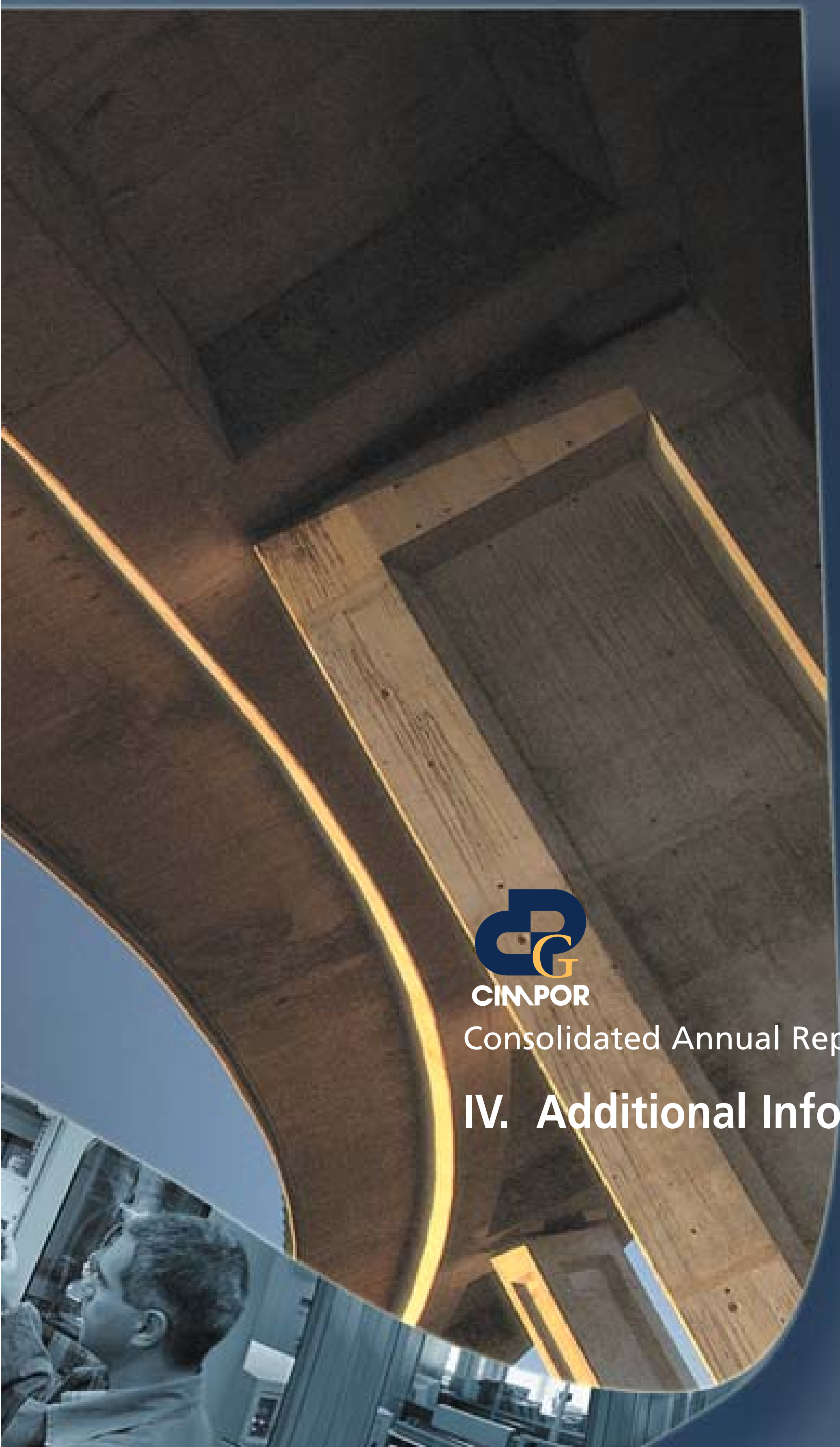
1. We have audited the accompanying consolidated financial statements of Cimpor – Cimentos de Portugal, SGPS, S.A. ("the Company"), which comprise the consolidated balance sheet as of 31 December 2003, the consolidated statements of profit and loss by nature and by functions and the consolidated statement of cash flows for the year then ended and the accompanying notes. These consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these consolidated financial statements based on our audit.

2. Our audit was performed in accordance with generally accepted auditing standards in Portugal, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes verifying, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the significant estimates, based on criteria defined by the Board of Directors, used in their preparation. An audit also includes verifying the adequacy of the accounting principles used and their disclosure taking into consideration the circumstances, verifying the applicability of the going concern concept as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. 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 2003 and the consolidated results of its operations and its consolidated cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal.

Lisbon, 20 April 2004

Deloitte &Touche



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Consolidated Annual Report

IV. Additional Information

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Main Operating Companies – Synopsis

Portugal

Cimpor – Indústria de Cimentos, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel: 21 311 81 00
Fax. 21 356 13 81
Tax number: 500 782 946

Board of Directors

Jorge Manuel Tavares Salavessa Moura - *Chairman*
José Augusto Brás Chaves
José Leonel da Silva Neto

Contact

José Leonel da Silva Neto
E-mail - Sneto@cimpor.pt

Field of Activity

Production, distribution and sale of cement and other hydraulic binders and their derivatives, and related activities, particularly the manufacture, distribution and sale of hydraulic lime, paper bags, aggregates and concrete, cement products and other construction materials and also research and rendering of services.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	127,053
Financial Debt	60,000
Capital Employed	20,254
Fixed Assets	157,492
Current Assets	-39,639
Turnover	376,562
Operating income	127,635
Net income	80,269

Cimentaçor – Cimentos dos Açores, Lda.

Registered Office

Canada das Murtas
Pico da Pedra
RIBEIRA GRANDE
Tel: 296 201 730
Fax: 296 201 748
Tax number: 512 017 360

Management

José Leonel da Silva Neto
José Manuel Henriques Guerreiro Nunes
José Esteves de Melo Campos

Contact

Francisco da Silva Fidalgo
E-mail – Ffidalgo@cimpor.pt

Field of Activity

Receipt of cement, clinker and gypsum, and the milling, storing, bagging and distribution of cement in the Autonomous Region of the Azores.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	9,031
Financial Debt	42
Capital Employed	6,682
Fixed Assets	5,957
Current Assets	3,464
Turnover	28,227
Operating income	3,280
Net income	2,985

Portugal

Cimpor Betão -Indústria de Betão Pronto, S.A.

Registered Office
Av. Almirante Gago Coutinho
Portela de Sintra
2710-418 SINTRA
Tel:21 910 55 40
Fax: 21 924 38 56
Tax number: 503 095 850

Board of Directors
Ernesto Loureiro Campos - *Chairman*
José Augusto Brás Chaves
Armindo Oliveira das Neves
Alfredo Manuel Ramos Vaz da Silva
Jorge Manuel Afonso Esteves dos Reis

Contact
Joaquim Lino
E-mail – Jlino@cimpor.pt

Field of Activity
Production and sale of ready-mixed concrete.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	27,519
Financial Debt	0
Capital Employed	25,520
Fixed Assets	10,726
Current Assets	29,746
Turnover	77,722
Operating income	4,307
Net income	4,383

Betão Liz, S.A.

Registered Office
Rua Quinta do Paizinho
Edifício Bepor
Bloco 2 –1º Esq.
2795-632 CARNAXIDE
Tel: 21 424 75 00
Fax. 21 424 75 99
Tax number: 500 045 267

Board of Directors
Luís Filipe Sequeira Martins - *Chairman*
Ernesto Loureiro Campos
José Augusto Brás Chaves
Joaquim Dias Cardoso
Gonçalo Allen Serras Pereira

Contact
Jorge Manuel Afonso Esteves dos Reis
E-mail - JEReis@cimpor.pt

Field of Activity
Production and sale of ready-mixed concrete.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	39,977
Financial Debt	1,040
Capital Employed	22,951
Fixed Assets	9,871
Current Assets	29,199
Turnover	78,445
Operating income	4,831
Net income	3,887

CONTENTS

Portugal

Jomatel-Empresa de Materiais de Construção, S.A.

Registered Office

Tapada da Quinta de Cima
Estrada de Albarraque
Linhó
2710-297 SINTRA
Tel.: 21 923 90 00
Fax: 21 923 90 29
Tax number: 500 153 469

Board of Directors

Ernesto Loureiro Campos - *Chairman*
João Fernando Simões Mouro
José Augusto Brás Chaves
Armindo Oliveira das Neves
Jorge Manuel Afonso Esteves dos Reis

Contact

João Fernando Simões Mouro
E-mail - Jmouro@cimpor.pt

Field of Activity

Production and sale of ready-mixed concrete.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	8,056
Financial Debt	19
Capital Employed	8,491
Fixed Assets	3,882
Current Assets	8,203
Turnover	21,840
Operating income	137
Net income	505

Fornecedora de Britas do Carregado, S.A.

Registered Office

Rua Vaz Monteiro, 192 R/c Esq.
2580-505 CARREGADO
Tel.: 263 858 400
Fax. 263 858 419
Tax number: 500 118 213

Board of Directors

Ernesto Loureiro Campos - *Chairman*
Armindo Oliveira das Neves
Gonçalo Allen Serras Pereira
Rui Nobre Rodrigues
Pedro Manuel de Freitas Pires Marques

Contact

Joaquim Bento Gonçalves
E-mail – Jbgoncalves@cimpor.pt

Field of Activity

Operation of quarries, production and sale of crushed stone, sand and other construction materials.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	5,604
Financial Debt	0
Capital Employed	6,690
Fixed Assets	5,327
Current Assets	5,737
Turnover	16,851
Operating income	220
Net income	277

Portugal

Agrepor Agregados Extracção de Inertes, S.A.

Registered Office

Sangardão, Furadouro
Apartado 11
3151-999 CONDEIXA-A-NOVA
Tel.: 239 949 620
Fax. 239 941 009
Tax number: 501 755 098

Board of Directors

Ernesto Loureiro Campos - *Chairman*
Armindo Oliveira das Neves
José Augusto Brás Chaves
Pedro Manuel de Freitas Pires Marques
Jorge Manuel Afonso Esteves Reis

Contact

Pedro Manuel de Freitas Pires Marques
E-mail – Pmmarques@cimpor.pt

Field of Activity

Operation of quarries and extraction and sale of crushed stone.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	11,926
Financial Debt	8,501
Capital Employed	19,932
Fixed Assets	14,800
Current Assets	9,987
Turnover	26,824
Operating income	3,324
Net income	2,559

Ciarga – Argamassas Secas, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel.: 213 118 100
Fax. 213 561 381
Tax number: 503 418 706

Board of Directors

José Augusto Brás Chaves - *Chairman*
José António Sócrates da Costa Mota Martins
Pedro Manuel de Freitas Pires Marques
José Manuel Henriques Guerreiro Nunes
Angel Longarela Peña

Contact

Pedro Manuel de Freitas Pires Marques
E-mail – Pmmarques@cimpor.pt

Field of Activity

Production, distribution and sale of dry mortar and distribution of equipment to use and apply the respective products.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	2,122
Financial Debt	3,125
Capital Employed	8,374
Fixed Assets	7,837
Current Assets	3,008
Turnover	5,891
Operating income	-1,326
Net income	-1,151

CONTENTS

Portugal

Sacopor – Sociedade de Embalagens e Sacos de Papel, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel: 213 118 100
Fax. 213 561 381
Tax number: 502 642 459

Board of Directors

Jorge Manuel Tavares Salavessa Moura - *Chairman*
José Leonel da Silva Neto
José Manuel Henriques Guerreiro Nunes

Contact

José Carlos Costa Azevedo
E-mail – Cazevedo@cimpor.pt

Field of Activity

Production and sale of bags and other paper packages.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	3,705
Financial Debt	0
Capital Employed	3,494
Fixed Assets	1,637
Current Assets	5,646
Turnover	14,228
Operating income	2,975
Net income	1,998

Transviária – Gestão de Transportes, S.A.

Registered Office

Rua Alexandre Herculano, 35
1250-009 LISBON
Tel: 219 408 600
Fax. 219 408 733
Tax number: 502 868 791

Board of Directors

José Leonel da Silva Neto - *Chairman*
José Augusto Brás Chaves
José António Sócrates da Costa Mota Martins

Contact

Ana Cristina Rosa Santos Ascenso
E-mail – Aascenso@cimpor.pt

Field of Activity

Transport of goods, rental of transport vehicles and equipment.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	1,182
Financial Debt	0
Capital Employed	550
Fixed Assets	822
Current Assets	5,383
Turnover	25,616
Operating income	802
Net income	558

Spain

Cementos Cosmos, S.A.

Registered Office
C/Brasil, 56
36 204 VIGO
Tel: 34 986 26 90 00
Fax. 34 986 47 39 51
Tax Number: A-28.013.704

Board of Directors
Corporación Noroeste, S.A., represented by:
Ângelo Rocha Soares Gomes - *Chairman*
Angel Longarela Peña – *Managing Director*
Antonio Vega Guerrero
Manuel Gómez Alvarez

Contact
Angel Longarela Peña
E-mail - Alongarela@es.cimpor.com

Field of Activity
Production, distribution and sale of cement and other hydraulic binders, their derivatives and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials as well as research and rendering of services.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	88,759
Financial Debt	1,383
Capital Employed	75,736
Fixed Assets	66,111
Current Assets	24,017
Turnover	103,453
Operating income	37,669
Net income	24,155

Prebetong Galicia, S.A.

Registered Office
C/Brasil, 56
36 204 VIGO
Tel: 34 986 26 90 00
Fax. 34 986 41 34 48
Tax Number: A-36.605.616

Board of Directors
Corporación Noroeste, S.A., represented by:
Ângelo Rocha Soares Gomes – *Chairman*
Julio César Paredes Seoane – *Managing Director*
Manuel Gómez Alvarez
Antonio Vega Guerrero
Angel Longarela Peña

Contact
Julio César Paredes Seoane
E-mail - jparedes@es.cimpor.com

Field of Activity
Production and sale of ready-mixed concrete.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	13,167
Financial Debt	177
Capital Employed	16,921
Fixed Assets	7,385
Current Assets	14,484
Turnover	31,752
Operating income	765
Net income	605

Spain

Hormigones Miño, S.L.

Registered Office
C/Brasil, 56
36 204 VIGO
Tel: 34 986 26 90 00
Fax.34 986 48 21 97
Tax number: B-27.021.401

Board of Directors
— Cementos Cosmos, S.A., represented by: Antonio Vega Guerrero – *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

Contact
Julio César Paredes Seoane
E-mail - Jparedes@es.cimpor.com

Field of Activity
Production and sale of ready-mixed concrete, sand and cement derivatives in general.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	12,596
Financial Debt	212
Capital Employed	11,312
Fixed Assets	3,855
Current Assets	13,351
Turnover	28,632
Operating income	6
Net income	-685

Prebetong Lugo, S.A.

Registered Office
Avenida Benigno Rivera s/n
Poligono del Ceao
27 003 LUGO
Tel:34 982 20 91 21
Fax. 34 982 20 92 72
Tax number: 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
— Rafael Serrano García
— Sermaconsa, represented by Ângelo Rocha Soares Gomes

Contact
Manuel Gómez Alvarez
E-mail - Mgomez@es.cimpor.com

Field of Activity
Production and sale of ready-mixed concrete, aggregates, mortar and their derivatives.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	8,494
Financial Debt	101
Capital Employed	7,785
Fixed Assets	3,796
Current Assets	5,800
Turnover	11,858
Operating income	670
Net income	785

Spain

Canteras Prebetong, S.L.

Registered Office
C/Brasil, 56
36 204 VIGO
Tel: 34 986 26 90 00
Fax.34 986 41 34 48
Tax number: B-36.816.163

Board of Directors
Ângelo Rocha Soares Gomes - *Chairman*
Manuel Gómez Alvarez – *Managing Director*
Angel Longarela Peña
Antonio Vega Guerrero

Contact
Manuel Gómez Alvarez
E-mail - Mgomez@es.cimpor.com

Field of Activity
Extraction and sale of limestone, granite and similar stones.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	4,900
Financial Debt	66
Capital Employed	2,045
Fixed Assets	1,972
Current Assets	1,153
Turnover	5,026
Operating income	540
Net income	434

Morteros Noroeste, S.L.

Registered Office
C/Brasil, 56
36 204 VIGO
Tel: 34 986 26 90 00
Fax. 34 986 47 39 51
Tax number: B-36.877.926

Joint General Managers
— Corporación Noroeste, S.A., represented by: Pedro Manuel de Freitas Pires Marques
— Cementos Cosmos, S.A., represented by: Angel Longarela Peña

Contact
Angel Longarela Peña
E-mail - Alongarela@es.cimpor.com

Field of Activity
Production and sale of mortar and its derivatives.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	5,076
Financial Debt	41
Capital Employed	4,835
Fixed Assets	3,258
Current Assets	2,766
Turnover	7,853
Operating income	1,518
Net income	1,009

Spain

Sociedad de Cementos y Materiales de Construcción de Andalucía, S.A.

Registered Office

Agrupación Córdoba, 15
14014 Córdoba
Tel: 34 957 013 000
Fax. 34 957 262 628
Tax number: ESA14635387

Board of Directors

Luís Filipe Sequeira Martins - *Chairman*
Eduardo Guedes Duarte – *Managing Director*
José Augusto Brás Chaves
António Vega Guerrero
José Leonel da Silva Neto
Ângelo Rocha Soares Gomes

Contact

Eduardo Guedes Duarte
E-mail – Eduarte@cimpor.pt

Field of Activity

Production and sale of cement.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	441
Financial Debt	603
Capital Employed	176,755
Fixed Assets	158,241
Current Assets	18,700
Turnover	98,960
Operating income	11,679
Net income	3,491

Cementos El Monte, S.A.

Registered Office

Muelle Ingeniero Juan Gonzalo, s/n
21810 Palos de la Frontera - Huelva
Tel: 34 959 369 320
Fax. 34 959 369 837
Tax number: ESA21292271

Board of Directors

José Augusto Brás Chaves - *Chairman*
Eduardo Guedes Duarte – *Managing Director*
Fernando Gonzalez Marañon

Contact

Eduardo Guedes Duarte
E-mail - Eduarte@cimpor.pt

Field of Activity

Clinker milling for the production and sale of cement.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	20,011
Financial Debt	78
Capital Employed	19,934
Fixed Assets	15,430
Current Assets	7,810
Turnover	27,890
Operating income	4,131
Net income	2,706

Spain

Hormigones Hércules, S.L.

Registered Office
Polígono Industrial El Prado, Parcela 40
06800 Merida (Badajoz)
Tel: 34 959 28 24 71(Head Office - Huelva)
Fax. 34 28 25 84 (Head Office - Huelva)
Tax number: ES B-82743717

Board of Directors
Eduardo Guedes Duarte – *Managing Director*
(Joint General Manager)
José Augusto Brás Chaves
(Joint General Manager)

Contact
Eduardo Guedes Duarte
E-mail – Eduarte@cimpor.pt

Field of Activity
Production and sale of ready-mixed concrete, sand and cement derivatives in general.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	776
Financial Debt	182
Capital Employed	19,879
Fixed Assets	8,723
Current Assets	12,399
Turnover	11,105
Operating income	151
Net income	52

Morocco

Asment de Temara, S.A.

Registered Office
Route Principale de Casablanca
AIN ATTIG
TEMARA
MOROCCO
Tel: 212 37 74 07 77
Fax. 212 37 74 15 70
Tax number: 03 375 420

Board of Directors
Jorge Manuel Tavares Salavessa Moura - *Chairman*
Manuel Luís Barata de Faria Blanc
Álvaro João Serra Nazaré
Brahim Laraqui – *General Manager*

— CIMPOR INVERSIONES, S.L., represented by: Luís Filipe Sequeira Martins

— La Société des Ciments Fransçais, represented by: Mohamed Chaibi

— PROCIMAR, represented by: Jean-Paul Méric

Contact
Álvaro João Serra Nazaré
E-mail - SNazare@cimpor.pt

Field of Activity
Production, distribution and sale of cement and other hydraulic binders and their derivatives, and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials and also research and the rendering of services.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	65,159
Financial Debt	3,808
Capital Employed	55,236
Fixed Assets	50,110
Current Assets	12,711
Turnover	52,478
Operating income	17,203
Net income	11,054

Tunisia

C.J.O.-Société Les Ciments de Jbel Oust

Registered Office
3, Rue de Touraine - Cité Jardins
Le Belvédère
Tunis 1082
TUNISIA
Tel: 216 71 841 732
Fax. 216 71 783 094

Board of Directors
Luís Filipe Sequeira Martins - *Chairman*
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
Álvaro João Serra Nazaré
Eduardo Guedes Duarte
Abelkader N'Ciri – *General Manager*

Contact
Álvaro João Serra Nazaré
E-mail - SNazare@cimpor.pt

Field of Activity
Production, distribution and sale of cement and other hydraulic binders and their derivatives, and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials and also research and the rendering of services.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	89,620
Financial Debt	1,227
Capital Employed	115,108
Fixed Assets	112,661
Current Assets	19,684
Turnover	54,918
Operating income	4,516
Net income	6,342

Egypt

Amreyah Cement Company, S.A.E.

Registered Office
El Gharbaneyat – Borg el Arab
ALEXANDRIA
EGYPT
Tel.: 203 3741270
Fax: 203 3741275

Board of Directors
Luís Filipe Sequeira Martins – *Chairman*
— PENROD, represented by:
Jorge Manuel Tavares Salavessa Moura
Álvaro João Serra Nazaré
José António Teixeira de Freitas – *Resident Manager*
Alexandre Garcez Lencastre
— CIMPOR INVERSIONES, S.L., represented by:
Manuel Luís Barata de Faria Blanc
Luís Filipe Sequeira Martins
— CEMENT SERVICE, Cº
Eduardo Guedes Duarte

Contact
Álvaro João Serra Nazaré
E-mail - SNazare@cimpor.pt

Field of Activity
Production of all types of cement and clinker and other construction materials, the sale, transport and sale of that production and of any other raw materials within the Arab Republic of Egypt or abroad.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	124,328
Financial Debt	35,706
Capital Employed	129,390
Fixed Assets	122,715
Current Assets	19,934
Turnover	55,302
Operating income	6,308
Net income	-5,366

Brazil

Companhia de Cimentos do Brasil

Registered Office

Avª. Maria Coelho Aguiar, 215 - Bloco E, 8º andar
Jardim São Luiz - CEP 05805-000
São Paulo
BRAZIL
Tel: 55 11 3741 3581
Fax. 55 11 3741 3295
CNPJ: 10.919.934/0001-85

Board of Directors

Eliezer Batista da Silva - *Chairman*
Raphael Hermeto de Almeida Magalhães – *Vice Chairman*
Fernando dos Santos Plaza
Manuel Luís Barata de Faria Blanc

Management

Fernando dos Santos Plaza – *Managing Director*
Luiz Carlos Romero Fernandes
João Pedro Neto de Avelar Ghira
José Abel Pinheiro Caldas de Oliveira

Contact

Fernando dos Santos Plaza
E-mail - fernando.plaza@cimpor.com.br

Activity

Production and sale of concrete, cement, mortar, lime, limestone products of any type, their by-products and any related products and fibrocement products and construction materials; the extraction, processing, production and sale of minerals: the production and rendering of services for concrete pouring; the management of its own assets; the rendering of management consultancy services; participation in other national and foreign companies as a partner or shareholder.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	165,595
Financial Debt	11,283
Capital Employed	145,606
Fixed Assets	146,925
Current Assets	40,467
Turnover	165,275
Operating income	63,245
Net income	35,244

Companhia Paraíba de Cimento Portland – CIMEPAR

Registered Office

Fazenda da Graça, s/n
Ilha do Bispo
Cidade de João Pessoa
CEP 58011-290
Estado de Paraíba
BRAZIL
Tel:55 83 241 12 99
Fax:55 83 241 62 67
CNPJ: 10.804.300/0001-87

Management

Fernando dos Santos Plaza – *Chairman*
Luiz Carlos Romero Fernandes
João Pedro Neto de Avelar Ghira
José Abel Pinheiro Caldas de Oliveira

Contact

Fernando dos Santos Plaza
E-mail - fernando.plaza@cimpor.com.br

Field of Activity

Production and sale of cement, lime and its by-products; the operation of mineral and vegetable industries necessary for those purposes; agricultural activities; imports and exports; and participation in other companies as a partner, quotaholder or shareholder.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	102,965
Financial Debt	0
Capital Employed	39,839
Fixed Assets	35,566
Current Assets	8,182
Turnover	35,574
Operating income	18,626
Net income	26,979

Brazil

Companhia de Cimento ATOL

Registered Office
Fazenda São Sebastião, s/n
Município de São Miguel dos Campos
Estado de Alagoas
CEP 57240-000
BRAZIL
Tel: 55 82 271 12 05
Fax. 55 82 271 16 70
CNPJ: 09.934.407/0001-60

Management
Fernando dos Santos Plaza - *Chairman*
Luiz Carlos Romero Fernandes
João Pedro Neto de Avelar Ghira
José Abel Pinheiro Caldas de Oliveira

Contact
Fernando dos Santos Plaza
E-mail - fernando.plaza@cimpor.com.br

Field of Activity
Mining in general, improvement and production of limestone, clay, kaolin and related products, the production and sale of cement of any type, and the import and export of what is necessary or convenient for performing or expanding its activities, and also participation in other companies, whatever the objective or location, in the country or abroad.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	76,322
Financial Debt	615
Capital Employed	27,996
Fixed Assets	20,900
Current Assets	10,421
Turnover	22,689
Operating income	9,825
Net income	16,819

Mozambique

Cimentos de Moçambique, S.A.R.L.

Registered Office
Avª. Fernão Magalhães, 34-2º, nº1
MAPUTO
Tel: 258 1 307 440
Fax. 258 1 307 458

Board of Directors
Manuel Luís Barata de Faria Blanc - *Chairman*
Luiz Carlos Romero Fernandes
António Moreira dos Santos Andrade
Francisco Ilídio da Rocha Diniz
Piet Klaus Strauss
Vitória Dias Diogo
Rosário Bernardo Francisco Fernandes

Contact
Francisco Ilídio da Rocha Diniz
E-mail – IDiniz@mz.cimpor.com

Field of Activity
Production, distribution and sale of cement and other hydraulic binders and their derivatives, and related activities, particularly the production, distribution and sale of hydraulic lime, aggregates and concrete, cement products and other construction materials and also research and the rendering of services

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	46,688
Financial Debt	15,398
Capital Employed	58,610
Fixed Assets	49,437
Current Assets	13,169
Turnover	40,206
Operating income	5,923
Net income	1,044

South Africa

NPC – Natal Portland Cement (Pty), Lda.

Registered Office
199 Coedmore Road, Bellair
Durban
South Africa
Tel.: + 27 31 450 44 11
Fax: + 27 31 451 90 10
Tax number: 1960/001051/07

Board of Directors
Manuel Luís Barata de Faria Blanc – *Chairman*
Luis Carlos Romero Fernandes
Fernando dos Santos Plaza
António Moreira dos Santos Andrade
Pieter Klaus Strauss

Contact
Pieter Klaus Strauss
E-mail – Pieter.strauss@npc.co.za

Field of Activity
Production of all types of cement and clinker, slag and other construction materials, the marketing, transport and sale of that production and of any other raw materials in the Republic of South Africa or abroad.

Key Financial Data for 2003	(1,000 Euros)
Shareholders' Equity	55,102
Financial Debt	146
Capital Employed	33,549
Fixed Assets	35,729
Current Assets	9,907
Turnover	69,152
Operating income	26,547
Net income	19,140


CIMPOR

CIMPOR

Annual Report

I. Holding Company

Directors' Report

The Directors' Report relating to the consolidated operations of CIMPOR – Cimentos de Portugal, SGPS, S.A., covers all aspects, not only of the Company's Governance, but also of the evolution of the various businesses of the Group companies, and so the Board of Directors recommends that shareholders read that report, for information on these matters.

1. Summary of the Business

The company's non consolidated Turnover, which totals approximately 10.5 million euros (7.7% less than in the previous year), results exclusively from rendering management services to the Group's companies.

Net income for the year amounted to 185.9 million euros, 5.3% higher than in 2002.

2. Legal Information

The following information is provided in compliance with the current legal requirements:

— There are no overdue amounts payable to the Social Security;

— At the beginning of the year, CIMPOR had 1,196,911 shares of own shares with a nominal value of five euros each, having during the year sold the equivalent of 1,361,920 shares with the new nominal value of one euro: 925,000 shares to the CIMPOR – Indústria de Cimentos, S.A., Pension Fund for 3.23 euros each, and the other 436,920 to the Group's personnel, at an average price of 2.94 euros each, in accordance with the stock option plan explained in point 1.6. of chapter I of the Directors' Report covering the Group's consolidated operations. In addition, as explained in that point, CIMPOR repurchased 241,410 shares from several employees at an average price of 3.61 euros, which, combined with the shares purchased under its current portfolio management activity – 476,520 shares at an average price of 3.21 euros – totalled 717,930 shares acquired in 2003. Therefore, at the end of the year CIMPOR had 5,340,565 shares of treasury representing 0.79% of its share capital;

— There were no transactions between the Company and its directors.

3. Post Balance Sheet Date Events

No events of special significance took place after the end of 2003, other than those already described in the Directors' Report covering the CIMPOR Group's consolidated operations.

4. The Outlook for 2004

The Portuguese market is expected to remain unfavourable as sales continue to drop, although at a slower rate. Nevertheless, CIMPOR's international operations and its earnings from major investments in the previous years enable the company to look forward to 2004 with some optimism.

5. Proposed Appropriation of Profits

As reflected in the Financial Statements, net income for 2003 amounted to 185,883,206.26 euros.

In compliance with the parameters set forth in the Articles of Association and the company's dividend distribution policy explained in the Directors' Report covering the Group's consolidated operations, the Board of Directors proposes that the net income be appropriated as follows:

- 9,300,000.00 euros, corresponding to 5% of net income, to the Legal Reserve;
- in conformity with the criteria of previous years, and as set forth in paragraph d) of article 20 of the Articles of Association, 1,850,000 euros to be paid in the form of Bonuses to Personnel working for CIMPOR – Cimentos de Portugal, SGPS, S.A. at the end of December 2003;
- 114,240,000.00 euros, corresponding to a dividend of 0.17 euros per share (6.3% more than in the previous year) for distribution to the shareholders;
- the remaining balance to be appropriated to Retained Earnings.

In summary, and with reference to the various paragraphs of article 20 of the Articles of Association:

	(euros)
Legal Reserve (paragraph c))	9,300,000.00
Remuneration and Bonuses (paragraph d))	1,850,000.00
Dividends (paragraph f))	114,240,000.00
Retained Earnings (paragraph g))	60,493,206.26
Total	**185,883,206.26**

Lisbon, 13 April 2004

The Board of Directors

Ricardo Manuel Simões Bayão Horta

Luís Eduardo da Silva Barbosa
Jean Carlos Angulo
Luís Filipe Sequeira Martins
Pedro Maria Calaínho Teixeira Duarte
Manuel Ferreira

Jacques Lefèvre
Jorge Manuel Tavares Salavessa Moura
Manuel Luís Barata de Faria Blanc
João Salvador dos Santos Matias
Vicente Árias Mosquera *

* Elected at the Shareholders' General Meeting held on 31 July 2003 but still impeded from performing his duties.

CIMPOR

Annual Report

II. Financial Statements of the Holding Company

CONTENTS

Balance Sheets
as of 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 24)

(Amounts stated in thousands of euros)

	Notes	2003	2002
CURRENT ASSETS:			
Cash and cash equivalents		1,783	1,345
Accounts receivable, net	3	80,714	750,074
Deferred taxes	12	38,250	53,078
Other current assets		65	1,340
TOTAL CURRENT ASSETS		120,812	805,837
Investments, net	5	1,062,050	1,104,606
Fixed assets, net	6	7,281	7,445
Intangible assets, net		-	-
Other non-current assets, net	4	-	125,256
TOTAL ASSETS		1,190,143	2,043,144
CURRENT LIABILITIES:			
Short-term debt	7	60,006	948,290
Accounts payable	8	77,119	45,346
Accrued expenses	9	4,844	14,663
Other non-current liabilities		249	-
Taxes Payable	10	477	967
Deferred profits		1,155	-
Deferred taxes	12	356	444
Provisions for other risks and costs	11	67,352	59,985
TOTAL CURRENT LIABILITIES		211,558	1,069,695
Medium and long-term debt	7	17,500	23,124
Other non-current liabilities		499	748
TOTAL LIABILITIES		229,557	1,093,567
SHAREHOLDERS' EQUITY:			
Share capital	14	672,000	672,000
Own shares	14	(17,403)	(19,245)
Revaluation reserve	14	1,980	2,022
Legal reserve	14	67,200	58,300
Adjustment in equity investments	14	(101,339)	(109,511)
Other reserves and retained earnings	14	152,265	169,448
Net income for the year	14	185,883	176,563
TOTAL SHAREHOLDERS' EQUITY		960,586	949,577
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,190,143	2,043,144

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

Statements of Profit and Loss
for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 24)

(Amounts stated in thousands of euros)

	Notes	2003	2002
OPERATING REVENUES:			
Sales and services rendered	15	10,473	11,344
Other revenues		1,185	1,858
TOTAL OPERATING REVENUES		11,658	13,202
OPERATING COSTS AND EXPENSES:			
Operating expenses		(7,393)	(7,104)
Payroll expenses	16	(10,882)	(10,837)
Depreciation and amortisation		(5,747)	(492)
Other operating expenses		(366)	(546)
TOTAL OPERATING COSTS AND EXPENSES		(24,388)	(18,979)
Operating loss		(12,730)	(5,777)
Financial gains, net	17	190,428	42,788
Extraordinary gains, net	18	(219)	89,365
Income before income tax		177,479	126,376
Provision for income taxes	12	8,404	50,187
NET INCOME FOR THE YEAR		185,883	176,563
Earnings per share		0,28	1,32

(a) Considering the stock split from five euros to one euro, the earnings per share for the year ended 31 December 2002 would be 0.27 euros.

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

CONTENTS

Cash Flow Statements

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 24)

(Amounts stated in thousands of euros)

	Notes	2003	2002
OPERATING ACTIVITIES:			
Receipts from customers		105	117
Payments to suppliers		(6,066)	(6,412)
Payments to employees		(12,521)	(12,399)
Cash generated from operations		(18,482)	(18,694)
Receipts relating to income taxes		57,857	30,491
Other		11,749	12.326
Cash flow before extraordinary items		51,124	24,123
Receipts relating to extraordinary items		155	60
Payments relating to extraordinary items		(125)	(245)
Net cash from operating activities (1)		51,154	23,938
INVESTING ACTIVITIES:			
Receipts relating to:			
Financial investments	1	748,872	108,820
Property, plant and equipment		33	10
Interest and related income		26,140	18,765
Dividends	2	101,907	102,352
TOTAL RECEIPTS		876,952	229,947
Payments relating to:			
Financial investments	3	(4,000)	(598,715)
Property, plant and equipment		(242)	(50)
TOTAL PAYMENTS		(4,242)	(598,765)
Net cash used in investing activities (2)		872,710	(368,818)
FINANCIAL ACTIVITIES:			
Receipts relating to:			
Loans obtained	4	161,800	1,042,236
Own shares sold		4,356	2,712
Other	5	513,800	205,805
TOTAL RECEIPTS		679,956	1,250,753
PAYMENTS RELATING TO:			
Loans	4	(1,039,323)	(198,995)
Interest and related expenses		(57,030)	(40,910)
Dividends		(104,568)	(86,808)
Income tax on dividends		(2,095)	(6,579)
Own shares purchases		(2,492)	(5,336)
Other	5	(398,489)	(566,582)
TOTAL PAYMENTS		(1,603,997)	(905,210)
Net cash from (used in) financing activities (3)		(924,041)	345,543
Net change in cash and cash equivalents (4) = (1)+(2)+(3)		(177)	663
Net cash and cash equivalents - beginning of period		1,345	682
Foreign exchange effect		615	-
Net cash and cash equivalents - end of period		1,783	1,345

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

Cash Flow Statements (continued)
for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 24) — Amounts stated in thousands of euros)

1. Receipts relating to financial investments

a) Repayment of additional paid in capital:

	Open balances	Amounts received
Cimpor Internacional, SGPS, S.A.	8,000	46,000
Cimpor Finance, Limited	34,855	10,634
		56,634

b) Sale of affiliated companies and other investments

	Total amount	Amounts received
Société des Ciments de Jbel Oust (i)	95,487	91,127
Companhia de Cimento Atol, S. A. (i)	308,400	308,000
Companhia de Cimentos do Brasil, S.A.R. (i)	290,149	285,000
Cimpor Portugal, SGPS, S.A.	3,123	3,123
Corporación Noroeste (i)	8,978	4,988
		692,238
		748,872

(i): (i) These sales were made during the year ended 31 December 2002, on the context of the restructure and concentrate operation of the financial investments in companies located in foreign countries in Cimpor Inversiones.

2. Dividends received

	Amounts received
Cimpor Portugal, SGPS, S.A.	94,000
Cimpor Brasil, S.A.	4,516
Cimpor Finance, Limited	3,391
	101,907

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

CONTENTS

3. Payments relating to financial investments

a) Additional paid in capital:

	Open balances	Amounts paid
Cimpor Finance, Limited	32,132	(4,000)

4. Loans

	Currency	Loans values	Loans obtained during the year	Loans paid during the year
CGD - Comercial paper	EUR	-	161,800	227,800
DBI - Comercial paper	USD	(a) 59,383	-	41,884
DBI - Comercial paper	EUR	-	-	752,000
BBPI	USD	-	-	10,015
BBPI	EUR	624	-	624
BTA	EUR	-	-	5,000
BPN	EUR	-	-	2,000
			161,800	1,039,323

(a) Conversion of 75,000 thousands of USD.

5. Loans to affiliated companies

	Amounts paid during the year	Amounts received during the year
Cimpor Financial Operations, B.V.	15,100	15,100
Cimpor Inversiones, S.L.	127,900	247,800
Corporación Noroeste	18,000	-
Cimpor Internacional, SGPS, S.A.	47,000	90,000
Cimpor Investimentos, SGPS, S.A.	17,900	23,900
Cimpor Portugal, SGPS, S. A.	172,500	135,000
Cimpor Egypt for Cement	89	-
Cement Trading Activities, S. A.	-	2,000
	398,489	513,800

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

Statements of Changes in Shareholders' Equity

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 24)

(Amounts stated in thousands of euros)

	Share capital	Own shares	Revaluation reserves	Legal reserve	Adjustment in equity investments	Other reserves and retained earnings	Net income	Total
BALANCES AS OF 31 DECEMBER 2001	672,000	(16,799)	2,064	51,400	34,414	210,168	137.829	1,091,076
Earnings allocated to reserves	-	-	-	6,900	-	35,499	(42,399)	-
Dividends paid	-	-	-	-	-	-	(94,080)	(94,080)
Distribution of profits to employees	-	-	-	-	-	-	(1,350)	(1,350)
Acquisiton/sales of own shares	-	(2,624)	-	-	-	(89)	-	(2,713)
Other adjustments	-	178	(42)	-	(143,925)	(76,130)	-	(219,919)
Net income for the year	-	-	-	-	-	-	176,563	176,563
BALANCES AS OF 31 DECEMBER 2002	672,000	(19,245)	2,022	58,300	(109,511)	169,448	176,563	949,577
Earnings allocated to reserves	-	1,842	-	8,900	-	59,350	(67,393)	2,699
Dividends paid	-	-	-	-	-	-	(107,520)	(107,520)
Distribution of profits to employees	-	-	-	-	-	-	(1,650)	(1,650)
Acquisiton/sales of own shares	-	-	-	-	-	(34)	-	(34)
Other adjustments	-	-	(42)	-	8,172	(76,499)	-	(68,369)
Net income for the year	-	-	-	-	-	-	185,883	185,883
BALANCES AS OF 31 DECEMBER 2003	672,000	(17,403)	1,980	67,200	(101,339)	152,265	185,883	960,586

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

Notes to the Financial Statements

for the years ended 31 December 2003 and 2002

(Translated and reformatted from the Portuguese original – Note 24) – Amounts stated in thousands of euros

1. Introduction

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

As result of the reorganization occurred in the year 2002, Cimpor's investments came to be owned by the following sub-holding companies: (i) Cimpor Portugal, SGPS, S.A., which holds the investments in companies producing cement, ready-mix concrete, pre-cast parts and related activities in Portugal; (ii) Cimpor Inversiones S.L., which holds the investments in companies operating in foreign countries; (iii) Cimpor Investimentos, SGPS, S.A., which holds the investments in operating companies outside of the cement industry; and (iv) Cimpor Internacional, SGPS, S.A., which after selling to Natal Portland Cement Company the investments of the companies operating in Mozambique, in the year ended 31 December 2003, only holds minority investments in some operating companies of the Group.

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.

Intangible assets

This caption consists primarily of research and development costs.

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

Property, plant and equipment

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

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

	Years
Buildings and other constructions	10-50
Basic equipment	7-16
Transportation equipment	4-5
Administrative equipment	3-14

Provisions

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

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

Foreign currency transactions and balances

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

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

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Cash and cash equivalents

Cash represents immediately available funds and cash equivalents include liquid investments readily convertible to cash with an original maturity of three months or less.

Retirement pension benefits

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

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

Health benefits

Certain subsidiary companies have supplementary health benefits for their employees to those provided by the Public Social Security. The liabilities and costs resulting from these benefits are recorded in a similar manner to the retirement pension liabilities and costs referred to above.

Specific provisions to cover these liabilities are recorded in accordance with the criteria established by Portuguese Accounting Directive 19.

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

Income tax

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

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

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

Revaluation reserve

Amounts recorded in this caption, resulting from the net increase in fixed assets through revaluations made in accordance with the defined criteria, are transferred to retained earnings when realised through sale, disposal or depreciation of the related items. In general terms, these amounts are not available for distribution since can only be used to increase share capital or to cover losses incurred up to the end of the period to which the revaluation relates.

Accruals basis

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

Current classification

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

3. Accounts receivable, net

This caption consists of:

	2003	2002
Accounts receivable from affiliated companies (Note 13)	77,992	747,725
Accounts receivable from public entities	2,226	1,070
Other receivables	496	1,279
	80,714	750,074

4. Other non-current assets, net

This caption consists of:

	2003	2002
Accounts receivable from affiliated companies (Note 13)	-	124,831
Doubtful accounts receivable	6,089	6,731
Other receivables	611	1,036
	6,700	132,598
Less: Provision for doubtful accounts receivable (Note 11)	(6,700)	(7,342)
	-	125,256

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

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5. Investments, net

This caption consists of:

	2003	2002
AFFILIATED COMPANIES:		
Cimpor Internacional, SGPS, S.A.	69,925	96,563
Cimpor Investimentos, SGPS, S.A.	98,887	80,543
Cimpor Portugal, SGPS, S.A.	359,066	348,068
Cimpor Finance Limited	39,971	50,473
Cimpor Financial Operations, B.V.	1,512	832
Cement Trading Activities – Comércio Internacional, S.A.	-	1,442
Kandmad - Prestação de Serviços, Comércio, Importação e Exportação, Lda.	3,246	6,824
Cimpor Reinsurance, S.A.	4,229	2,365
Cimpor Inversiones, S.L.	147,284	110,535
Cement Services Company	17	24
	724,137	697,669
Loans to affiliated companies	337,839	406,864
SECURITIES AND OTHER INVESTMENTS:		
Companhia de Cimentos de Moçambique, S.A.	4,050	4,050
Other	75	74
	4,125	4,124
Less: provisions (Note 11)	(4,051)	(4,051)
	1,062,050	1,104,606

The investments in affiliated companies are recorded in accordance with the equity method of accounting. Other participations are stated at cost less, when applicable, a provision for estimated loss or realisation.

Loans to affiliated companies are recorded at their nominal value.

Application of the equity to investments in affiliated companies had the following effect:

	Profit / (loss) (Note 18)	Adjustment in equity investments (Note 15)	Dividends	Provisions increase/(decrease) (Note 11)	Total
Cimpor Inversiones, S.L.	44,891	(8,142)	-	-	36,749
Cimpor Finance Limited	2,745	(2,822)	(3,391)	-	(3,468)
Cimpor Reinsurance, S.A.	1,864	-	-	-	1,864
Cimpor Portugal, SGPS, S.A.	103,740	1,258	(94,000)	-	10,998
Cimpor Investimentos, SGPS, S.A.	18,347	(3)	-	-	18,344
Cimpor Internacional, SGPS, S.A.	24,015	(4,653)	-	-	19,362
Kandmad - Prest. Serv. e Com. de Imp. e Exp., Lda.	(1,893)	(1,685)	-	-	(3,578)
Cimpor Egypt for Cement	(630)	(183)	-	813	-
Cimpor Financial Operations, B.V.	681	-	-	-	681
Cement Trading Activities - Comércio Internacional, S.A.	2,025	-	-	-	2,025
Cement Services Company	3	(10)	-	-	(7)
	195,788	(16,240)	(97,391)	813	82,970

Resulting from the disposal of Cement Trading Activities – Comércio Internacional, S.A. to Cimpor Portugal, SGPS, S.A., the appropriated results of this investment was raised by application of the equity method of accounting, in Cimpor Portugal. Additionally, the loss on disposal of that subsidiary, in the amount of 344 thousands of euros, is deducted on the result of that investment (Note 18).

Loans to affiliated companies corresponds to an amount receivable from CEC expressed in US dollars, which is considered an extension to the investment. The exchange adjustment amouting to 69,025 thousand euros was reflected in the caption "Adjustment in equity investments".

6. Property, plant and equipment, net

This caption comprises the following, at net book value:

	2003	2002
COST:		
Land and natural resources	2,409	2,409
Buildings and other constructions	8,910	8,658
Basic equipment	5,211	5,211
Transportation equipment	615	688
Administrative equipment	5,601	5,601
Fixed assets in progress	69	76
	22,815	22,643
ACCUMULATED DEPRECIATION:		
Buildings and other constructions	(4,698)	(4,521)
Basic equipment	(5,055)	(4,999)
Transportation equipment	(593)	(567)
Administrative equipment	(5,188)	(5,111)
	(15,534)	(15,198)
NET BOOK VALUES:		
Land and natural resources	2,409	2,409
Buildings and other constructions	4,212	4,137
Basic equipment	156	212
Transportation equipment	22	121
Administrative equipment	413	490
Fixed assets in progress	69	76
	7,281	7,445

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

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

	Historical cost	Revaluation	Revalued amounts
Land and natural resources	359	2,050	2,409
Buildings and other constructions	1,007	3,204	4,211
Basic equipment	145	11	156
Transportation equipment	22	-	22
Administrative equipment	394	20	414
	1,927	5,285	7,212

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:

	2003		2002	
	Short-term	Long-term	Short-term	Long-term
Bank loans	60,006	17,500	948,290	23,124

The long-term bank loans include:

Loan	Interest rate	Currency	Amount
Bank loan	Euribor + 0.675%	EUR	12,500
Bank loan	Euribor + 0.6%	EUR	5,000
			17,500

At 31 December 2003, the medium and long-term portion of the loans was repayable as follows:

2005	17,500

The short-term bank loans include:

Loan	Interest rate	Currency	Amount
Commercial paper	Libor + 0.40%	USD	59,383
Bank loan	Euribor + 0.325%	EUR	623
			60,006

The above mentioned issue of commercial paper was placed directly with Cimpor Financial Operations BV.

8. Accounts payable

This caption consists of:

	2003	2002
Accounts payable to related companies	75,100	44,339
Accounts payable to suppliers	1,861	903
Suppliers of fixed assets	86	7
Other creditors	72	97
	77,119	45,346

9. Accrued expenses

This caption consists of:

	2003	2002
Vacation pay and bonuses	1,324	1,241
Accrued interest	-	9,212
Accounts payable relating to financial operations	3,020	3,628
Professional fees	-	375
Other	500	207
	4,844	14,663

10. Taxes payable

This caption consists of:

Withholding tax	139
Value added tax	192
Social Security contributions	146
	477

11. Movement in the provisions

During the year ended 31 December 2003, the movement in the provision account balances, was as follows:

	Beginning balance	Increases	Decreases (Note 18)	Ending balance
Provisions for doubtful accounts receivable	7,342	-	(642)	6,700
Provisions for other risks and costs:				
Tax contingencies	55,902	6,555	-	62,457
Other risks and costs	4,083	813	(1)	4,895
Provision for investments	4,051	-	-	4,051
	71,378	7,368	(643)	78,103

The increase in provisions for other risks and costs include 813 thousand euros resulting from application of the equity method, and reflects the Company's liability in the case of investments in companies with negative equity (Cimpor Egypt for Cement) (Note 5).

The increase in provisions for tax contingencies was recorded by corresponding entry to the following captions:

Provision for income tax (Note 12)	1,189
Depreciation and amortisation	5,366
	6,555

12. Income tax

The Company is subject to corporate income tax at the rate of 30%, 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 2000 to 2003 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 1999, corrections were made to the taxes paid, the most significant item being the increase in depreciation resulting from the revaluation of tangible fixed assets. 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, if payment of the above tax is due, a refund of equal amount is to be obtained from a Government body (Fundo de Regularização da Dívida Pública).

In order to recognise this contingency, the Company have a provision of 62,457 thousand euros (Note 11), of which 41,155 thousand euros relates to the additional tax assessment, including an estimate for the years 2000 and 2003 not yet assessed, corresponding the remaining value to other corrections and interest.

Timing differences between recognition of income and expanses 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 2003 and the effective income tax rate, is as follows:

	Tax base	Income tax
Profit before income tax	177,479	
Timing differences	1,647	
Permanent differences	(194,296)	
	(15,170)	
Normal charge		(5,006)
Autonomous taxations		(67)
Double international taxations		15
		(5,058)
Deffered tax by reversion of timing differences in the period		(543)
Tax contingencies (Note 11)		1,189
Adjustment for consolidated taxable results and others		2,874
Ajustamento do imposto do grupo fiscal e outros		(6,866)
Charge for the period		(8,404)

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 2003 is as follows:

		Net profit		Shareholders'equity			
	Beginning balance	Increase/ (decrease)	Tax reduction effect	Increase/ (decrease)	Tax reduction effect	Transferences	Ending balance
DEFERRED TAX ASSETS:							
Doubtful collection provisions	598	(25)	(96)	-	-	-	477
Other risks and charges provisions	387	(1)	(64)	-	-	-	322
Financial investments provisions	1,337	(1,337)	-	-	-	-	-
Tax losses carried forward	50,756	12,476	(1,448)	22,778	(5,881)	(41,230)	37,451
	53,078	11,113	(1,608)	22,778	(5,881)	(41,230)	38.250
DEFERRED TAX LIABILITIES:							
Revaluations	444	(17)	(71)	-	-	-	356

The deferred tax asset of 22,778 thousand euros was recorded by corresponding credit to the equity caption "Adjustment in equity investments" in the year ended 31 December 2003 (Note 14), and results from exchange losses arising on the translation of medium and long term intra-group foreign currency balances which correspond to an extension of the investments.

Adjustments on deferred tax amounting to 7,418 thousand euros, results from the tax rate reduction from 33% to 27,5%, in accordance with Law 107-B/2003, which establishes an income tax rate of 25%, from 1 January 2004.

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13. Related parties

The principal balances at 31 December 2003 and transactions in the year then ended with Group companies are as follows:

	Accounts receivable	Account payable	Transactions	
	Group companies	Group companies	Services rendered	Other revenue
Agrepor Agregados, S.A.	1,287	-	-	101
Alempedras, Sociedade de Britas, Lda	54	-	-	3
Amreyah Cement Company, S.A.E.	11	-	-	11
Asment de Témara, S.A.	1,070	-	1,071	-
Betão Liz, S.A.	44	1	-	44
Betaçor-Fab. Bet. Artef. Cimento,SA	5	-	-	5
Ciarga - Argamassas Secas, S.A.	37	413	-	38
Cimadjuvantes, Lda.	74	-	-	-
Estabelecimentos SCIAL do Norte, S.A.	-	57	-	-
Cimentos de Moçambique, SARL	68	-	-	78
Cimentaçor - Cimentos dos Açores,Lda.	96	-	-	101
Cimpor Betão, SGPS, S.A.	42	-	-	2
Cimpor Betão -Indústria Betão Pronto, S.A.	2,226	-	786	114
Cimpor Brasil, Lda	9	-	-	4
Cimpor Financial Operations, B.V.	-	390	-	-
Cimpor Egypt for Cement, S.A.E.	79	-	-	-
Cimpor Finance Limited	45	-	-	-
Cimpor Imobiliária, S.A.	26	474	-	35
Cimpor Indústria Cimentos, S.A.	37,977	372	7,555	231
Cimpor Internacional, SGPS, S.A.	184	43,000	60	6
Cimpor Inversiones, SL	-	5,049	-	30
Cimpor Investimentos, SGPS, S.A.	53	23,900	30	16
Cimpor Portugal, SGPS, S.A.	31,699	1,271	972	8
Corporación Noroeste, S.A.	75	-	-	136
CTA - Comercio In., S.A.	26	-	-	26
Fornecedora de Britas do Carregado,SA	33	-	-	33
Geofer - Prod.Com.de Bens Equip.,SA	1,087	-	-	33
Imopar, SARL	10	-	-	-
Jomatel-Emp. Mat. Construção, S.A.	172	-	-	32
Prediana, S.A.	-	9	-	-
Mecan, Lda.	-	22	-	-
Premap - Préfabricados de Maputo,SARL	6	-	-	-
Sacopor-Soc Emb e Sacos de Papel,SA	1,013	-	-	29
Transviária - Gestão de Transpores, S.A.	305	-	-	19
Trater - Empresa Transportes e Gestão, S.A.	112	-	-	9
TPA - Transportes Stº André, Lda.	1	-	-	-
Vilaje, Lda.	-	3	-	-
Cecisa Comércio Internacional, SA	27	138	-	27
Société des Ciments de Jbel Oust	39	-	-	1
	77,992	75,099	10,474	1,172

The balance receivable of Cimpor Portugal, SGPS, S.A. includes 31,500 thousand euros relating to a treasury support.

The balance payable to Cimpor Internacional, SGPS, S.A. and Cimpor Investimentos, SGPS, S.A. corresponds to treasury support of those affiliated.

14. Share capital and reserves

At 31 December 2003, Cimpor's fully subscribed and paid up share capital was consisted of 672 million shares with a nominal value of one euro each.

The last known capital structure of the Company was as follows:

	%	Number of shares
Teixeira Duarte, SGPS, S.A. (a)	32.08	215,570,230
Financiére Lafarge, S.A.	12.64	84,908,825
Cartera Lusitania, S.A.	9.62	64,623,890
Secil – Companhia Geral de Cal e Cimento, S.A.	9.00	60,484,000
Banco Comercial Português, S.A.	10.00	67,200,000
C+PA - Cimentos e Produtos Associados, S.A.	4.55	30,589,753
Credit Agricole Lazard Financial Products Bank	4.36	29,332,295
Others	17.75	119,291,007
	100.00	672,000,000

(a) Including shares owned by its related companies and its corporate board members.

Revaluation reserve

This caption results from the revaluation of property, plant and equipment in accordance with the applicable legislation (Note 6). In accordance with current legislation and the accounting practices followed in Portugal this reserve can only be used, when realised, to cover losses or to increase share capital.

Legal reserve

In accordance with current legislation the Company must appropriate, to the legal reserve, 5% of its annual net profit until the reserve equals a minimum of 20% of capital. This reserve cannot be distributed to the shareholders but can be used to absorb losses once all the other reserves have been used, up or to increase capital.

The net profit for 2002 was appropriated as follows, in accordance with a decision of the Shareholders' Annual General Meeting held on 14 May 2003:

Dividends	107,520
Employees' bonus	1,650
Retained earnings	58,493
Legal reserve	8,900
	176,563

Dividends attributed to own shares, not distributed, on the mount of 857 thousands euros, are included on the caption "Other reserves and Retained earnings".

Own shares

The Portuguese commercial legislation obliges the existence of a free reserve on the same amount as the acquisition price of those shares, which becomes unavailable until those shares are sold. The applicable accountancy rules determined that the profits and loss in the sale of own shares should be registered in reserves.

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The movement in own shares corresponds to the sale of 925,000 shares to the Pension Fund of Cimpor – Indústria de Cimentos, S.A., and the sale of 436,920 shares to several employees of the Group, by a global amount of 4,273 thousand euros, and generated a decrease of 34 thousand euros in other reserves. During the year ended 31 December 2003, 717,930 own shares were purchased. At the end of the year the Company had 5,340,565 own shares.

At 31 December 2003, Cimpor totally holds 5,340,565 own shares.

The Other adjustments in the Statements of changes in shareholders equity, relates mainly to: (i) transfer from "Retained earnings" to "Adjustments in equity investments" of the results not distributed by subsidiary companies accounted by the equity method criteria; (ii) correction to investments, resulting from equity variations in subsidiary companies; and, (iii) foreign exchange differences of medium and long-term intra-group balances in foreign currency, which constitute an extension of the investment.

15. Sales and services rendered

Sales and services rendered for the year ended 31 December 2003 result from contracts to render administrative services entered into with affiliated companies.

16. Payroll expenses

This caption consists of:

	2003	2002
Salaries	7,837	7,115
Social charges:		
Pensions	875	120
Others	2,170	3,602
	10,882	10,837

17. Financial income, net

This caption consists of:

	2003	2002
INCOME:		
Interest income	11,356	16,535
Gain in group companies (Note 5)	198,311	136,136
Capital participation income	4,516	-
Foreign exchange gain	12,923	16,809
Other financial income	1	3
	227,107	169,483
EXPENSES:		
Interest expense	13,978	45,313
Loss in group companies (Note 5)	2,523	74,534
Foreign exchange loss	19,532	5,565
Other financial expenses	646	1,283
	36,679	126,695
Net financial income	190,428	42,788

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18. Extraordinary income, net

This caption consist of:

	2003	2002
EXTRAORDINARY INCOME:		
Decrease in amortisation and provisions (Note 12)	643	523
Debts recuperation	-	2
Former exercises corrections	18	1
Gain on the disposal of fixed assets	-	223,040
Other extraordinary income	185	60
	846	223,626
EXTRAORDINARY EXPENSES:		
Donations	125	245
Uncollectible debts	531	87
Loss on the disposal of fixed assets	362	117,929
Increase in amortisation and provisions	-	15,949
Former exercises corrections	45	-
Other extraordinary expenses	2	51
	1,065	134,261
Net extraordinary income	(219)	89,365

19. Guarantees

At 31 December 2003 the Company had outstanding letters of guarantee and bank guarantees given to third parties in the amount of 126,230 thousand of euros.

20. Commitments

Retirement pension benefits and medical benefits

As explained in Note 2, some group companies have complementary retirement and health care regimes for their employees. The liability under these regimes is reflected in the financial statements as of 31 December 2003, through application of the corresponding accounting standards.

The past service liability relating to current and retired employees as of 31 December 2003 amounted to 87,740 thousand euros, of which 69,500 thousand euros were covered by pension funds established for the purpose.

The unfunded amount of 18,240 thousand euros is reflected as a liability by the respective companies.

The full amount of this is reflected in the Company's financial statements through valuation of the investments in accordance with the equity method.

Other commitments - investments

Some of the Group companies have financial commitments under contracts to acquire tangible fixed assets, of which 30,328 thousand euros is for the Portuguese business area, 4,442 thousand euros for the Egyptian business area, 2,369 thousand euros for the Spanish business area and 14,714 thousand euros for the Moroccan business area.

According to Portuguese Commercial Company Law, Cimpor – Cimentos de Portugal, SGPS, S.A. is responsible for all the obligations of its fully controlled subsidiaries.

Other commitments – comfort letters

Comfort letters relating to group companies, given to third parties, are as follows:

Corporación Noroeste, S.A.	21,387
Cimentos de Moçambique, S.A.R.L.	8,156
Ciarga – Argamassas Secas, S.A.	3,125
Companhia de Cimentos do Brasil	28,790
Imopar, SARL	4,581
Société les Ciments de Jbel Oust, S.A.	25
Companhia de Cimentos Atol	300
Cimpor Financial Operactions, B.V.	344,710
Amreyah Cement Company, S.A.E.	34,553
Amreyah Cimpor Cement, S.A.E.	11,963
Cimpor Egypt Cement, S.A.E.	1,080
	458,670

21. Stock option plans

The Company has in force an *Employee Stocks Acquisition* Plan and a *Stock Options Plan*.

Within the scope of the implementation of the mentioned *Employee Stocks Acquisition Plan*, the annual General Assembly, held in 14th May 2003, approved the sale of own shares, regarding the Group's Members of Board of Directors and Employees.

The Board of Directors of CIMPOR – Cimentos de Portugal, SGPS, S.A., grants the assignment to the beneficiaries of the mentioned Plan, excepting to the Members of the Board of Directors themselves whose attribution is determined by the Remuneration Committee.

Each beneficiary is granted the right of acquiring shares, at a price equal to eighty-five percent of the closing price value of the dealing operation day, until a maximum amount not exceeding half of his monthly illiquid base remuneration.

The annual General Assembly also approved the alienation of own shares, regarding the implementation of the *Cimpor Stock Options Attribution - Plan*. This Plan, whose assignments to beneficiaries is also attributed by the same members of the before mentioned Plan, grants to beneficiaries the right of acquiring Cimpor shares (initial options), at a price not lower than eighty-five percent of the average closing price of the sixty stock market sessions next before that date. For every option exercised, the beneficiary is granted to acquire one new option, at the same price (derived options), in each one of the next three years.

With regard to this Plan, the first options were attributed on 31 July 2003, being exercised 194,310 at a unit price of 2,84 euros, and 66,500 of them exercised by Members of the Board of Directors.

At 31 December 2003, the Company has enough own shares to meet the inherent responsibilities of those referred incentive plans.

22. Financial instruments

Under the risk management policy of the Cimpor Group, explained in the Consolidated Directors' Report, at 31 December 2003 a series of derivative financial instruments had been contracted to hedge the risk of variation in interest and exchange rates.

The Group contracts these types of instrument after analysing the risks affecting its portfolio of assets and liabilities and verifying which of the instruments in the market is most adequate to hedge these risks.

These instruments are subject to prior approval by the Executive Commission and are permanently monitored by the Financial Operations Area. Several indicators relating to them are periodically determined, namely their market value and sensitivity of their projected cash flows and their market value to key variables that affect their structure, with the objective of assessing their financial effect.

In the year ended 31 December 2003, as a result of the reorganization occurred in the year 2002, the economic effects of the generality of the derivative financial instruments are directly set in the Cimpor Inversiones financial statements.

Identification of the instruments contracted by the Group, their objectives and respective fair values are shown in Note 28 to the consolidated financial statements.

23. Subsequent events

The more significant events that occurred after 31 December 2003 are described in the Directors' Report.

24. Note added for translation

The accompanying financial statements are a 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.


CIARGA
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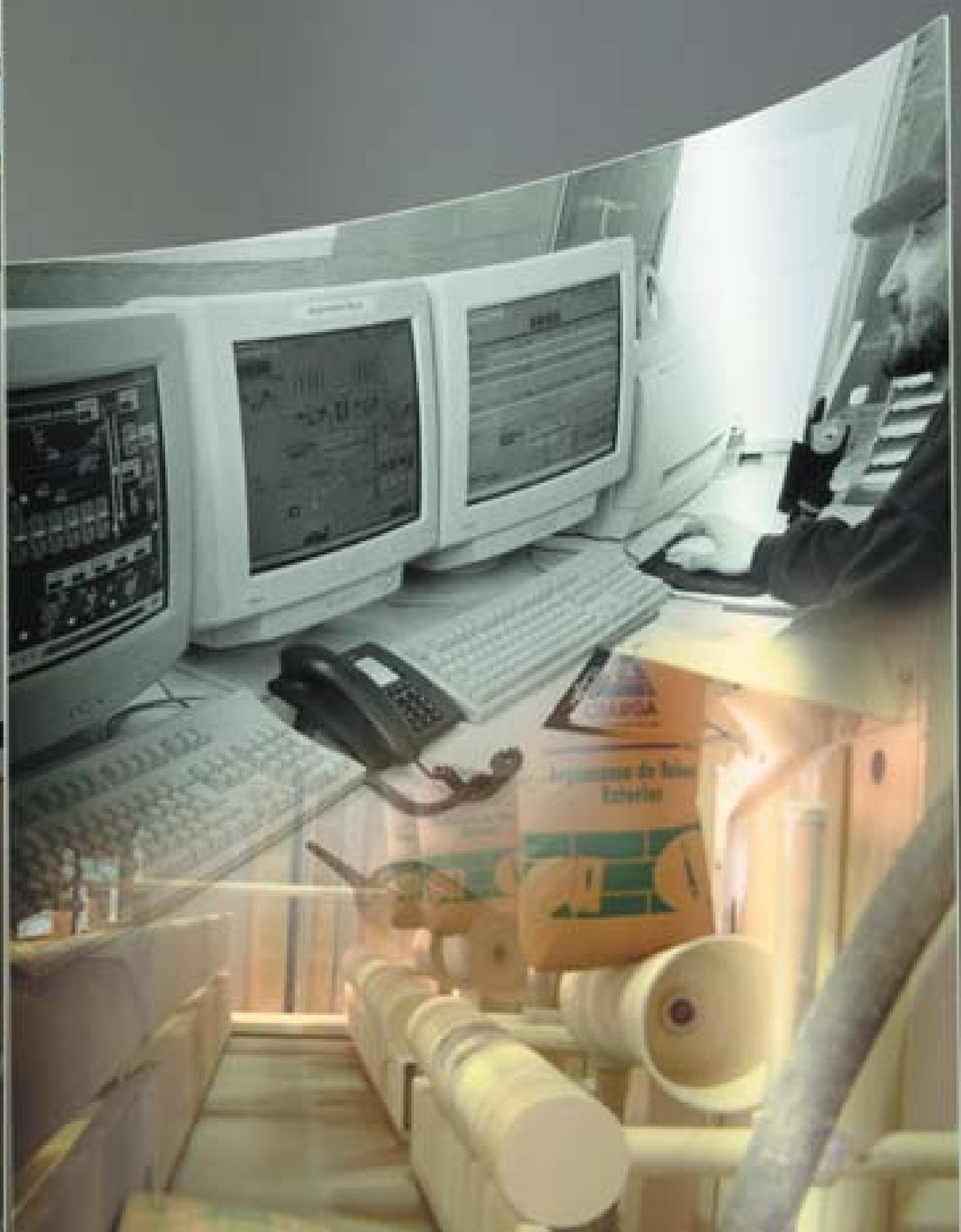
CIMPOR

Annual Report

Report and Opinion by the Audit Committee
Legal Certification of Accounts and Auditor's Report
Auditor's Report



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Report and Opinion by the Audit Committee

On Individual Statements for 2003

(Translation of a report originally issued in Portuguese – Note 24)

Dear Shareholders,

In compliance with the applicable legislation and with the articles of association of CIMPOR – Cimentos de Portugal, SGPS, S.A. ("Company") and the mandate under which we were appointed, the Audit Committee hereby submits its report on its work and issues its opinion on the financial statements in respect to 2003, submitted by the Board of Directors for appraisal.

The Audit Committee monitored the Company's activity and business, especially through an appraisal of the documents, accounting records, support documentation and minutes of meetings held by the Board of Directors and the Executive Committee, and through consultation and analysis of other documentation, with a view to assessing compliance with the provisions of the law and of the articles of association. The Audit Committee also carried out tests and other procedures in such depth as it deemed necessary under the circumstances. It also maintained regular contacts with the Board of Directors and with the Company's various managers, having obtained such information and clarification as were deemed necessary.

In accordance with our duties, we analysed the Management Report by the Board of Directors and determined that it meets the legal requirements. We also analysed the accounts for the year ending on 31 December 2003, which comprise the balance sheet the profit and loss statements by nature and by function of expense, the cash flow statements and the corresponding annex as drafted by the Board of Directors. We also focussed on the accounting principles applied to prepare the said statements and the respective compliance with the accounting principles generally accepted in Portugal, as well as the compliance with the law and with the articles of association.

The results application proposal submitted by the Board of Directors is in accordance with the applicable law and articles of association and shows the amount available for distribution.

The Audit Committee analysed the report issued by the Chartered Accountant, within the terms of no. 2 of article 451 of the Companies Code, and the Legal Certification of Accounts and the Audit Report, with which it is in agreement.

Consequently, we are of the opinion that the aforementioned financial statements and the results application proposal comply with the provisions of the law and of the articles of association and fulfil the requirements for approval by the shareholders.

The Audit Committee would like to thank the Board of Directors and other personnel at CIMPOR – Cimentos de Portugal, SGPS, S.A. for their cooperation.

Lisbon, 20 April 2004

Ricardo José Minotti da Cruz Filipe
Chairman

Freire, Loureiro e Associados, SROC S.A.
Represented by Carlos Pereira Freire
Member

José da Conceição da Silva Gaspar
Member

Legal Certification of Accounts and Auditor's Report

(Translation of a report originally issued in Portuguese – Note 24)

Introduction

1. In compliance with the applicable legislation, we hereby present our Legal Certification of Accounts and Auditors' Report on the financial information contained in the Directors' Report and the accompanying financial statements of Cimpor – Cimentos de Portugal, SGPS, S.A ("the Company") for the year ended 31 December 2003, which comprise the balance sheet as of 31 December 2003, which reflects a total of 1,190,143 thousand Euros and shareholders' equity of 960,586 thousand Euros, including a net profit of 185,883 thousand Euros, the statements of profit and loss by nature and by functions and the statement of cash flows for the year then ended and the corresponding notes.

Responsibilities

2. The Company's Board of Directors is responsible for: (i) the preparation of financial statements which present a true and fair view of the financial position of the Company, the results of its operations and its cash flows; (ii) the preparation of historical financial information in accordance with generally accepted accounting principles and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria and maintenance of an appropriate system of internal control; and (iv) the disclosure of any significant facts that have influenced its operations, financial position or results of operations.

3. Our responsibility is to examine the financial information contained in the accounting documents referred to above, including verification that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and to issue a professional and independent report based on our work.

Scope

4. Our examination was performed in accordance with the Auditing Standards (Normas Técnicas e Directrizes de Revisão/Auditoria) issued by the Portuguese Institute of Statutory Auditors (Ordem dos Revisores Oficiais de Contas), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. Our examination included

verifying, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on judgements and criteria defined by the Company's Board of Directors, used in their preparation. Our examination also included: assessing the adequacy of the accounting principles used and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept; assessing the adequacy of the overall presentation of the financial statements, and assessing that, in all material respects, the information is complete, true, up-to-date, clear, objective and licit. Our examination also included verifying that the information included in the Directors' Report is consistent with the other accounting documents. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, in all material respects for the purposes referred to in paragraph 6 below, the financial position of Cimpor – Cimentos de Portugal, SGPS, S.A as of 31 December 2003 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal, 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 accompanying financial statements refer to the Company on an individual non-consolidated basis and were prepared for approval and publication in terms of the current legislation. Although the investments are recorded in accordance with the equity method, under which the net results and equity include the net results and equity of the subsidiary and associated companies, the accompanying financial statements do not reflect the effect of a full consolidation of assets, liabilities and income. These will be reflected in separate consolidated financial statements which include an increase in assets and liabilities (excluding minority interests) of approximately 1,900,000 thousand Euros and 1,821,000 thousand Euros, respectively, and an increase in income of approximately 1,254,000 thousand Euros.

Lisbon, 20 April 2004

Freire, Loureiro e Associados, SROC S.A.
Represented by Carlos Pereira Freire

Auditor's Report

(Translation of a report originally issued in Portuguese – Note 24)

To the Shareholders and Board of Directors of

Cimpor – Cimentos de Portugal, SGPS, S.A.

1. We have audited the accompanying financial statements of Cimpor – Cimentos de Portugal, SGPS, S.A. ("the Company"), which comprise the balance sheet as of 31 December 2003, the statements of profit and loss by nature and by functions and the statement of cash flows for the year then ended and the accompanying notes. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express a professional and independent opinion on these financial statements based on our audit.

2. Our audit was performed in accordance with generally accepted auditing standards in Portugal, which require that the audit be planned and performed with the objective of obtaining reasonable assurance about whether the financial statements are free of material misstatement. An audit includes verifying, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the significant estimates, based on criteria defined by the Board of Directors, used in their preparation. An audit also includes verifying the adequacy of the accounting principles used and their disclosure taking into consideration the circumstances, verifying the applicability of the going concern concept as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements referred to in paragraph 1 above, present fairly, for the purposes referred to in paragraph 4 below, in all material respects, the financial position of Cimpor – Cimentos de Portugal, SGPS, S.A. as of 31 December 2003 and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles in Portugal.

4. The accompanying financial statements refer to the Company on an individual non-consolidated basis and were prepared for approval and publication in terms of the current legislation. Although the investments are recorded in accordance with the equity method, under which the net results and equity include the net results and equity of the subsidiary and associated companies, the accompanying financial statements do not reflect the effect

of a full consolidation of assets, liabilities and income. These will be reflected in separate consolidated financial statements, which include an increase in assets and liabilities (excluding minority interests) of approximately 1,900,000 thousand Euros and 1,821,000 thousand Euros, respectively, and an increase in income of approximately 1,254,000 thousand Euros.

Lisbon, 20 April 2004

Deloitte &Touche

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