



CIMPOR - CIMENTOS DE PORTUGAL, S.G.P.S., S.A.

INTERIM CONSOLIDATED REPORT

1ST HALF 2005

Public Limited Company

Head Office: Rua Alexandre Herculano, 35, 1250-009 Lisbon Portugal

Share Capital: €672,000,000

VAT N°: P500 722 900

Lisbon Registry of Companies Registration N° 731

INTERIM CONSOLIDATED REPORT

1ST HALF 2005

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**INTERIM CONSOLIDATED MANAGEMENT REPORT
1ST HALF 2005**

1. Macroeconomic Framework

From April to June 2005 – and for the first time in the last 14 quarters – household consumption in the Euro-area was lower than in the previous quarter, slowing down quarterly GDP growth to a mere 0.3% (1.1% y/y). The year's overall GDP growth is unlikely to reach 1.5% due to persistently high oil prices, the missing impulse of euro's depreciation (so important in 1H) and the foreseeable cooling of external economies.

In the USA, and despite falling investment, the performance of consumption and external demand boosted economic growth by 0.8% q/q and 3.6% y/y. However, although the unemployment rate is at its lowest level in 4 years, the current situation of energy prices, together with the "Katrina impact", should not allow that, in 2005, GDP expands far above 3%.

Portugal, which remains the main market for CIMPOR, had a somewhat surprising performance in 2Q05: a 1.0% q/q growth and a slight acceleration, to 0.5% y/y (which, even so, lags way behind the 3.4% growth of neighbouring Spain). The same negative factors that are expected to affect the Euro-area in 2H05 will not fail to also influence the development of the portuguese economic. Therefore, Portugal's 2005 GDP growth should not exceed 0.5%.

2. Turnover

Except for Portugal and Tunisia, all the other markets in which the CIMPOR Group operates improved in 1H05. Group's sales volume (with the only exception of Mozambique Business Area) followed this trend.

From January to June of this year, the Group's cement and clinker sales totaled about 9.7 million tones (4.7% more than in the same period of last year). Special mention should be made of the Egypt Business Area where, in addition to a significant growth in exports, there was an increase in sales on the local market of close to 26%. In the Portugal Business Area, the drop in cement sales (of about 126 thousand tones, corresponding to a 4.6% decrease) was almost fully offset by the increase in clinker exports (which, not considering intra-Group sales, more than doubled in relation to the first half of last year).

Also worthy of mention was the start of the Group's activities in the Cape Verde

archipelago where, in just three months, about 39 thousand tones of cement were sold (meaning an estimated market share of more than 60%).

Cement and Clinker Sales
(thousand tons)

Business Area	1 st Half 2005	1 st Half 2004	% Change
Portugal	3,113	3,120	- 0.2
Spain	2,118	2,068	2.4
Morocco	443	400	10.9
Tunisia	704	744	- 5.4
Egypt	1,429	1,019	40.3
Brazil	1,699	1,634	4.0
Mozambique	270	283	- 4.5
South Africa	533	518	2.7
Cape Verde	39	-	-
(Intra-Group)	(632)	(510)	-
Total (consolidated)	9,716	9,277	4.7

With the increase of the number of concrete plants in the Spain and Brazil Business Areas, the extension of this activity to South Africa and the growth seen in the Portugal Business Area, sales of ready-mix concrete in 1H05 exceeded 3.5 million cubic meters (7.5% more than in the same period of last year).

The two latter factors also explain the increase of aggregate sales of about 300 thousand tones (5.0%). If it had not been for a temporary stoppage in one of the Spain Business Area's main quarries this increase would have been even greater. Mortar sales remained at approximately the same level as in 1H04.

Concrete, Aggregates and Mortar Sales

Product /Business Area	1 st Half 2005	1 st Half 2004	% Change
Concrete (1,000 m3)			
Portugal	1,908	1,844	3.4
Spain	1,294	1,211	6.9
Other Business Areas	336	236	42.6
Total	3,538	3,291	7.5
Aggregates (1,000 ton)			
Portugal	4,206	3,941	6.7
Spain	1,844	1,984	- 7.1
Other Business Areas	297	120	148.4
Total	6,347	6,045	5.0
Mortar (1,000 ton)	241	242	- 0.6

The Group's Consolidated Turnover in the first six months of 2005 was 741 million euros, an increase of 9.2% over the same period of last year. Excluding intra-Group transactions, special mention should be made of the significant contributions to this indicator of the Spain, Egypt and South Africa Business Areas, the trading / shipping operations, and the

favorable change in the Morocco Business Area. In Brazil, the appreciation of the local currency by nearly 10% against the euro (in average exchange rate terms over the period) more than offset the drop in sales prices, allowing the respective contribution to the Group's Turnover, when measured in euros, to increase by 6.5% y/y.

Contributions to Turnover *
(EUR million)

Business Areas	1 st Half 2005		1 st Half 2004		Change	
	Amount	%	Amount	%	Amount	%
Portugal	264.9	35.7	264.0	38.9	0.9	0.3
Spain	184.3	24.9	168.4	24.8	15.9	9.5
Morocco	28.6	3.9	25.9	3.8	2.7	10.5
Tunisia	26.6	3.6	26.8	3.9	- 0.2	- 0.8
Egypt	40.6	5.5	28.6	4.2	12.0	41.8
Brazil	102.9	13.9	96.6	14.2	6.3	6.5
Mozambique	22.9	3.1	22.5	3.3	0.5	2.0
South Africa	49.0	6.6	38.5	5.7	10.6	27.4
Cape Verde	4.4	0.6	-	-	4.4	-
Trading / Shipping	16.9	2.3	7.2	1.1	9.7	134.3
Total (consolidated)	741.1	100.0	678.4	100.0	62.7	9.2

* Excluding Intra-Group transactions

3. Investments

In the first half of 2005, the Group's investments in tangible assets, including increases in fixed assets due to acquisitions of new companies, totalled nearly 59.4 million euros. The most significant investments were made in Portugal (20 million euros, including the investment on a new paper-bag production line), in Morocco (10 million euros, mainly spent to complete the clinker production expansion project) and in Spain (9 million euros).

4. Earnings and Financial Situation

Despite some negative factors - the strong fall in cement sales prices in the Brazilian market, the increase in energy costs and the persistent climate of recession prevailing in the Portuguese market - as a consequence of which the EBITDA margin showed a slight reduction (from 32.7% in the first six months of 2004 to 32.3% in the current year), the Group's Operating Cash Flow improved more than 18 million euros (8.2%). The performance in the second quarter, with an EBITDA of nearly 130 million euros, was particularly strong, leading to an approximate growth of 17% q/q and 18% y/y.

In Portugal, in 1H05, after five consecutive semesters of more or less significant drops in Operating Cash Flow, this indicator increased by more than 18% compared to 2H04 and by nearly 8% regarding the same period of last year. Indeed, it was in this Business Area (also by its size) that we saw the largest growth in EBITDA in absolute terms and in relation to any of those periods.

With the exceptions of Brazil (due to the aforesaid decrease in cement sales prices),

Tunisia (due to a drop in the market and some operating problems) and Mozambique (also due to operating problems), all the remaining Business Areas improved their respective Operating Cash Flows to a greater or lesser extent. Particularly strong increases, in relative terms, were seen in Egypt (up by 48.0%) and Spain (16.0%).

Operating Cash Flow (EBITDA)
(EUR million)

Business Areas	1 st Half 2005		1 st Half 2004		Change	
	Amount	Margin	Amount	Margin	Amount	%
Portugal	99.4	33.4 %	92.2	31.8 %	7.2	7.8
Spain	50.8	27.4 %	43.8	25.8 %	7.0	16.0
Morocco	12.1	42.2 %	10.7	41.2 %	1.4	13.4
Tunisia	5.8	22.0 %	7.2	26.7 %	- 1.3	- 18.5
Egypt	19.8	43.5 %	13.4	45.3 %	6.4	48.0
Brazil	28.7	27.8 %	38.3	39.7 %	- 9.6	- 25.1
Mozambique	1.8	7.9 %	5.2	23.3 %	- 3.4	- 65.7
South Africa	19.5	41.1 %	17.3	45.0 %	2.2	12.4
Cape Verde	0.5	12.1 %	-	-	0.5	-
Trading / Shipping	3.2	6.3 %	0.1	0.4 %	3.0	-
Other Activities	- 1.8	-	- 6.5	-	4.7	-
Total	239.7	32.3 %	221.6	32.7 %	18.1	8.2

Also worthy of special mention, on account of their respective contributions towards improving the Group's EBITDA, was the increase seen in this indicator in the Trading / Shipping activity (from virtually zero to an amount of close to 3.2 million euros) and a reduction in corporate general and administrative expenses of about 2.7 million euros (a decrease of more than 20%), as the result of continued efforts to contain costs.

Summary of Consolidated Profit and Loss Statement
1st Half

(EUR million)	2005 (IFRS)	2004 (IFRS)	Var. %	2004 (PGAAP)
Turnover	741.1	678.4	9.2	678.4
Operating Cash Costs	501.4	456.8	9.8	449.6
EBITDA	239.7	221.6	8.2	228.8
Depreciation & Provisions	71.3	64.2	11.1	108.3
EBIT	168.4	157.4	7.0	120.5
Financial Income	- 16.7	9.6	-	10.5
Extraordinary Income	0.0	0.0	-	- 4.5
Pre-tax Income	151.6	167.0	- 9.2	126.5
Income Tax	27.2	37.8	- 28.1	36.3
Net Income	124.4	129.2	- 3.7	90.2
Attributable to:				
Shareholders	120.4	125.3	- 3.9	86.8
Minority Interests	4.0	3.9	2.4	3.4

With Depreciation increasing by nearly 16% and Financial Income dropping from a profit

of 9.6 million euros to a loss of 16.7 million euros, Net Income, before Minority Interests, fell by 4.8 million euros (3.7%).

The fact that 1H04 Financial Income benefited from non-recurrent gains (7.5 million euros), together with the changes in market value of derivative instruments (positive by 15.5 million euros in 1H04 and negative by 8.0 million euros in 1H05), explain the decrease of this income.

If it were not for those gains and the volatility introduced by the application of IAS 39, the Group's Net Income would have improved by 18 million euros.

Compared to the situation at the end of 2004, total Net Assets increased by about 280 million euros (8.2%). Shareholders' Equity increased by close to 167 million euros (13.6%), mainly due to the appreciation of the Egyptian and Brazilian currencies, since the results for the period were essentially identical to the amount of dividends distributed in the meantime. Due to this distribution and the investments made in these six months, Net Financial Debt increased by 8.5% and now stands at 1,420 million euros.

Summary of Consolidated Balance Sheet

(EUR million)	30 Jun 05 (IFRS)	31 Dec 04 (IFRS)	Var. %	31 Dec 04 (PGAAP)
ASSETS				
Non-Current Assets	2,942.4	2,726.4	7.9	2,485.4
Current Assets				
Cash and its Equivalents	238.7	239.5	- 0.3	239.5
Other Current Assets	512.5	447.9	14.4	449.6
Total Assets	3,693.6	3,413.7	8.2	3,174.5
EQUITY				
Shareholders' Equity	1,335.2	1,164.3	14.7	970.4
Minority Interests	59.3	63.4	- 6.4	76.3
Total Equity	1,394.6	1,227.7	13.6	1,046.7
LIABILITIES				
Loans	1,596.1	1,464.6	9.0	1,469.1
Provisions	174.7	163.1	7.1	145.0
Other Liabilities	528.3	558.3	- 5.4	513.8
Total Liabilities	2,299.0	2,186.0	5.2	2,127.8
Total Equity & Liabilities	3,693.6	3,413.7	8.2	3,174.5

5. Expectations for the Group's Activities

The outlook for the different markets where the Group operates, as well as for the changes in exchange rates, point towards year-end percentage increases in CIMPOR's Turnover and Operating Cash Flow of at least the same order as those seen in the first half. On the other hand, the foreseeable evolution of interest rates should make it possible to partially offset this period's negative changes in market value of derivative financial instruments. The combined effect of these improvements may, however, be insufficient to increase the group's Net Income, since last year's profit benefited from the appropriation of about 30

million euros of non-recurring gains from companies consolidating through the equity method.

6. Performance of Shares

During this first half of 2005, about 158.5 million CIMPOR shares were traded on Euronext Lisbon (excluding OTC deals) for a total value of nearly 703 million euros (9% less than in the same period of last year, in keeping with the general market trend).

CIMPOR shares were quoting at 4.64 euros by the end of this first half. Despite the dividend paid (0.18 euros/share, representing a 4.3% dividend yield, considering the 2004 closing price), share prices rose 11.8% compared to the last quote of 2004 (while the PSI20 index fell over 1% in the same period).

On 2004 year end, CIMPOR – Cimentos de Portugal, SGPS, S.A., held 4,751,960 own shares, after having sold 884,660 shares to its employees in 1H05, under the Employee Stock Purchase Plan approved in the meantime (163,500 shares at 3.21 euros each) and the various Stock Option Plans for the Group's Directors and Staff (721,160 shares, at a price ranging from 2.84 euros to 3.70 euros, for an average of about 3.15 euros per share). Since the company made no share acquisitions, the number of own shares at June 30 was 3,867,300, corresponding to 0.58% of the share capital.

7. Most Significant Events (Including Posterior Events)

The following events in 2005 until now are worth highlighting:

- On April 27, CIMPOR – Cimentos de Portugal, SGPS, S.A., held its Annual General Meeting which, in addition to approving all proposals submitted by the Board of Directors, elected the following members of the governing bodies to a new mandate (2005/2008):

Board of the Shareholders' General Meeting

Dr. Miguel António Monteiro Galvão Teles (Chairman)

Dr. José António Cobra Ferreira (Deputy Chairman)

Board of Directors

Prof. Eng. Ricardo Manuel Simões Bayão Horta (Chairman)

Dr. Luís Eduardo da Silva Barbosa

Dr. Jacques Lefèvre

Eng. Jean Carlos Angulo

Eng. Jorge Manuel Tavares Salavessa Moura

Eng. Luís Filipe Sequeira Martins

Dr. Manuel Luís Barata de Faria Blanc

Dr. Pedro Maria Calainho Teixeira Duarte

Dr. Vicente Árias Mosquera

Sr. José Manuel Baptista Fino

Dr. José Henrique Freire Arteta

Audit Committee

Eng. Ricardo José Minotti da Cruz Filipe
Dr. José Conceição Silva Gaspar
Deloitte & Associados, SROC, S.A., (firm of accountants) represented by
Dr. Carlos Manuel Pereira Freire
Dr. José Martins Rovisco (Alternate Member)
Dr. António Marques Dias (Alternate Auditor)

This General Meeting also approved a proposal to suspend statutory provisions that placed limitations on shareholders' voting rights, whereby it was decided to eliminate numbers 5 to 8, 10, 12 paragraph b) and 13 of article 7, as well as article 8 of the by-laws;

- Cimpor Inversiones, S.A., acquired 100% of the share capital of Nordicave Trading Industrial, Lda., with its registered office in Cape Verde and which holds a 86.65% shareholding in the company Cimentos de Cabo Verde, S.A.;
- Betão Liz, S.A., sold all the shares of Jobrita – Indústrias Extractivas, S.A., for 2.8 million euros;
- Cimpor – Indústria de Cimentos, S.A., subscribed to and, in the respective proportion of its shareholding (48%), contributed to the 100 million euro capital increase in C+P.A. – Cimento e Produtos Associados, S.A.;
- Corporación Noroeste, S.A., increased its shareholding in Hormigones Mariña, S.L. to 100%;
- The company Prebetong Lugo, S.A., spun off part of its ready-mix concrete and dry mortar business, while integrating the assets in question in a new company called Prebetong Lugo Hormigones, S.A.;
- The respective boards of directors approved a merger project that saw Hormigones Mariña, S.L. being merged into Hormigones Miño, S.L.;
- An extraordinary General Meeting of Morteros de Galicia, S.L., approved a capital increase of 2,507,900 euros;
- The company Cement Trading Activities España – Comercio Internacional, S.A., was founded with a share capital of 60,200 euros, fully held by Cimpor Inversiones, S.A., changing later on its name to Scanang Trading Activities España, S.A.;
- Completion of an investment to increase the clinker production capacity at the Asment de Témara plant (Morocco) from 2,000 to 2,800 tons/day;
- Acquisition of a land plot next to Casablanca (Morocco) to set up a third ready-mix concrete plant;
- The cement plant of Jbel Oust (Tunisia) began using pet coke as its main fuel;
- Cimpor Egypt for Cement, S.A.E., increased its share capital by 2,660 million Egyptian pounds, fully subscribed by Cimpor Inversiones, S.A.;

- Amreyah Cement Company (Egypt) renewed its certifications in compliance with standards ISO 9001:2000 and ISO 14001;
- Work began to set up a clinker grinding mill at the Simuma plant (South Africa);
- A new management software (SAP/R3) began operating in the Business Areas of Morocco, Brazil and South Africa.

Lisbon, September 30th, 2005

THE BOARD OF DIRECTORS

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS FOR THE HALF YEARS ENDED

30 JUNE 2005 AND 2004

(Amounts stated in thousands of euros)

(Translated from the Portuguese original - Note 21)

	Notes	30 June 2005	30 June 2004
Operating income:			
Sales	5	710,688	655,404
Services rendered	5	30,393	22,998
Other operating income		13,931	9,325
Total operating income		<u>755,012</u>	<u>687,727</u>
Operating expenses:			
Cost of inventories used in production or sold		(180,797)	(155,499)
Variation in production		(4,881)	(9,533)
Outside supplies and services		(240,152)	(210,295)
Payroll expenses		(81,646)	(82,169)
Depreciation and amortisation	5	(64,799)	(55,897)
Provisions and impairment losses	5	(6,536)	(8,327)
Other operating expenses		(7,833)	(8,629)
Total operating expenses		<u>(586,644)</u>	<u>(530,349)</u>
Operating income		<u>168,367</u>	<u>157,379</u>
Financial expenses	5, 6	(103,385)	(74,022)
Financial income	5, 6	70,923	67,992
Share of profit of associates	5, 6 e 12	14,483	14,347
Investment income	5, 6	1,252	1,328
Profit before income tax		<u>151,640</u>	<u>167,024</u>
Income tax	5, 7	(27,224)	(37,844)
Net profit for the half year		<u>292,783</u>	<u>129,180</u>
Attributable to:			
Shareholders		120,401	125,261
Minority interests	5	4,015	3,919
		<u>124,416</u>	<u>129,180</u>
Profit per share:			
Basic	9	0,18	0,19
Diluted	9	0,18	0,19

The accompanying notes form an integral part of the consolidated financial statements as of 30 June 2005.

CIMPOR - CIMENTOS DE PORTUGAL, SGPS, S.A.

CONSOLIDATED BALANCE SHEETS AS OF 30 JUNE 2005 AND DECEMBER 2004

(Amounts stated in thousands of euros)

(Translated from the Portuguese original - Note 21)

	Notes	30 June 2005	31 December 2004
Non-current assets:			
Goodwill	10	915,360	828,122
Intangible assets		5,117	14,222
Fixed assets	11	1,537,177	1,451,026
Interests in associates	12	277,996	266,405
Other investments		55,794	8,663
Available for sale investments		56,042	52,334
Deferred taxes	13	87,903	101,433
Accounts receivable-other		2,481	1,535
Taxes receivable		4,504	2,677
Total non-current assets		<u>1,405,197</u>	<u>2,726,418</u>
Current assets:			
Inventories		169,961	153,111
Accounts receivable-trade		282,685	232,533
Accounts receivable-other		23,920	20,363
Taxes receivable		31,614	32,669
Cash and cash equivalents	14	238,702	239,455
Other current assets		4,329	9,182
Total current assets		<u>751,213</u>	<u>687,312</u>
Total assets		<u>3,693,586</u>	<u>3,413,729</u>
Shareholders' equity:			
Share capital		672,000	672,000
Own shares		(12,796)	(15,534)
Cumulative foreign currency translation adjustments		176,834	8,649
Reserves		252,242	242,805
Retained earnings		126,560	1,810
Net income		120,401	254,614
Equity before minority interests		<u>1,335,241</u>	<u>1,164,344</u>
Minority interest		59,332	63,397
Total shareholders' equity		<u>1,394,573</u>	<u>1,227,741</u>
Non-current liabilities:			
Loans	15	1,492,996	1,308,273
Leasing		1,653	2,299
Deferred taxes	13	113,678	112,301
Employee benefits	17	19,562	18,997
Provisions	17	151,615	141,250
Accounts payable-others		17,908	13,550
Taxes payable		2,880	3,912
Other non-current liabilities		119,062	155,021
Total non-current liabilities		<u>1,919,353</u>	<u>1,755,602</u>
Current liabilities:			
Current liabilities-trade		150,921	146,176
Taxes payable		43,259	29,723
Finance leases		1,301	1,574
Loans	15	103,068	156,287
Employee benefits	17	1,489	674
Provisions	17	2,006	2,196
Accounts payable-others		49,004	45,804
Other current liabilities		28,613	47,953
Total current liabilities		<u>379,660</u>	<u>430,386</u>
Total liabilities		<u>2,299,013</u>	<u>2,185,988</u>
Total liabilities and shareholders' equity		<u>3,693,586</u>	<u>3,413,729</u>

The accompanying notes form an integral part of the consolidated financial statements as of 30 June 2005.

CIMPOR - CIMENTOS DE PORTUGAL, SGPS, S.A.

CONSOLIDATED CASH FLOW STATEMENTS

FOR THE HALF YEARS ENDED 30 JUNE 2005 AND 2004

(Amounts stated in thousands of euros)

(Translated from the Portuguese original - Note 21)

	<u>Notes</u>	<u>June 2005</u>	<u>June 2004</u>
<u>OPERATING ACTIVITIES:</u>			
Received from clients		816,906	783,520
Paid to suppliers		(472,146)	(424,607)
Paid to personnel		(77,386)	(78,325)
Flows generated by operations		<u>267,374</u>	<u>280,588</u>
Income tax recovered/(paid)		(15,284)	(14,510)
Other payments relating to operating activities		(76,541)	(77,818)
Flows from operating activities (1)		<u><u>175,549</u></u>	<u><u>188,260</u></u>
<u>INVESTING ACTIVITIES:</u>			
Receipts relating to:			
Changes in consolidation perimeter		2,590	-
Financial investments		577	61
Tangible fixed assets		1,790	1,942
Subsidies for investments		372	290
Interest and similar income		14,273	12,023
Dividends		5,271	3,878
Others		-	1,869
		<u>24,873</u>	<u>20,063</u>
Payments relating to:			
Changes in consolidation perimeter		(9,365)	(16,770)
Financial investments		(48,318)	(11,894)
Tangible fixed assets	5	(70,322)	(51,566)
Intangible assets	5	(448)	(6,238)
Others		(206)	(820)
		<u>(128,659)</u>	<u>(87,288)</u>
Flows from investing activities (2)		<u><u>(103,786)</u></u>	<u><u>(67,226)</u></u>
<u>FINANCING ACTIVITIES:</u>			
Receipts relating to:			
Loans obtained		487,389	641,822
Subsidies and donations		298	-
Sale of treasury stock		2,507	1,832
Others		896	-
		<u>491,090</u>	<u>643,654</u>
Payments relating to:			
Loans obtained		(426,715)	(485,744)
Interest and similar costs		(61,914)	(38,944)
Dividends	8	(120,299)	(113,465)
Others		(5,162)	(7,541)
		<u>(614,090)</u>	<u>(645,694)</u>
Flows from financing activities (3)		<u><u>(123,000)</u></u>	<u><u>(2,040)</u></u>
Variation in cash and cash equivalents (4) = (1) + (2) + (3)		(51,237)	118,994
Effect of currency translation and other non monetary transactions		32,584	(967)
Cash and cash equivalents at the beginning of the period	14	205,134	211,137
Cash and cash equivalents at the end of the period	14	186,481	329,165

CIMPOR - CIMENTOS DE PORTUGAL, S.G.P.S., S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE HALF YEARS ENDED 30 JUNE 2005 AND 2004

(Amounts stated in thousands of euros)

(Translated and reformatted from the Portuguese original - Note 20)

Notes	Share capital	Own shares	Cumulative translation adjustments	Legal reserve	Reserves			Retained earnings	Net profit for the period	Minority interest	Total
					Other reserves	Fair value reserve	Hedging adjustments				
Balances at 1 January 2005	672,000	(15,534)	8,649	76,500	168,883	(1,535)	1,810	254,614	63,397	1,227,741	
Changes in currency translation adjustments	-	-	168,185	-	-	-	-	-	1,851	170,036	
Increase/(decrease) in the fair value of hedging investments	-	-	-	-	-	(707)	-	-	-	(707)	
Increase/(decrease) in the fair value of available for sale investments	-	-	-	-	3,705	-	-	-	-	3,705	
Actuarial gains and losses on employees benefits	-	-	(2,048)	-	(2,048)	-	-	-	-	(2,048)	
Gains and losses recognized directly in equity	-	-	(2,048)	-	(2,048)	(707)	-	-	1,851	170,986	
Consolidated net profit for the half year ended 30 June 2005	-	-	-	-	-	-	-	120,401	4,015	124,416	
Total gains and losses	-	-	168,185	-	(2,048)	3,705	-	120,401	5,866	285,402	
Appropriation of consolidated profit for 2004:											
Appropriated to legal reserve	-	-	-	9,300	-	-	-	(9,300)	-	-	
Dividends distributed	-	-	-	-	-	-	-	(120,299)	-	(120,299)	
Transferred to retained earnings	-	2,738	-	-	60	-	125,015	(125,015)	-	-	
Purchase/(sale) of treasury stock	-	-	-	-	(872)	-	(285)	-	(9,931)	2,797	
Others	-	-	-	-	-	-	-	-	-	(11,069)	
Balances at 30 June 2005	672,000	(12,796)	176,834	85,800	166,022	2,170	126,560	120,401	59,332	1,384,573	
Balances at 1 January 2004	672,000	(17,403)	(419,734)	67,200	173,881	-	288,759	185,883	78,329	1,038,915	
Adjustments to conform with IFRS	-	-	419,734	-	371	-	(363,664)	(16,817)	-	39,325	
Balances at 1 January 2004 according with IFRS	672,000	(17,403)	-	67,200	174,252	-	(84,905)	165,883	61,512	1,078,240	
Changes in currency translation adjustments	-	-	(2,382)	-	-	-	-	-	513	(1,849)	
Increase/(decrease) in the fair value of hedging investments	-	-	-	-	-	(234)	-	-	-	(234)	
Increase/(decrease) in the fair value of available for sale investments	-	-	-	-	-	(259)	-	-	-	(259)	
Actuarial gains and losses on employees benefits	-	-	(1,647)	-	(1,647)	-	-	-	-	(1,647)	
Gains and losses recognized directly in equity	-	-	(2,382)	-	(1,647)	(234)	-	-	513	(3,989)	
Consolidated net profit for the half year ended 30 June 2004	-	-	-	-	-	-	-	125,281	3,919	129,180	
Total gains and losses	-	-	(2,382)	-	(1,647)	(234)	-	125,281	4,432	125,191	
Appropriation of consolidated profit for 2003:											
Appropriated to legal reserve and transferred to retained earnings	-	-	-	9,300	-	-	63,118	(72,418)	-	-	
Dividends distributed	-	1,869	-	-	37	-	-	(113,465)	-	(113,465)	
Purchase/(sale) of treasury stock	-	-	-	-	(1,637)	-	5,543	-	(6,865)	1,906	
Others	-	-	-	-	-	-	-	-	-	(2,959)	
Balances at 30 June 2004	672,000	(15,534)	(2,382)	76,500	171,005	(259)	3,756	125,281	(59,079)	1,088,914	

The accompanying notes form an integral part of the consolidated financial statements as of 30 June 2005.

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1. Introduction

Cimpor - Cimentos de Portugal, SGPS, S.A. (“the Company”) was incorporated on 26 March 1976, with the social designation of Cimpor - Cements of Portugal, E.P, it has been suffering several structural and juridical alterations, that they led it to the leadership of a Business Group with activities in Portugal, Spain, Morocco, Mozambique, Brazil, Tunisia, Egypt, South Africa, Angola and Cape Verde (“ the Cimpor Group”).

Cimpor Group is engaged on the production and selling of cement, which is the core business of the Group. Concretes, aggregates and mortars are produced and marketed on a vertical integration of businesses.

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

2. Summary of significant accounting policies

2.1. Basis of presentation

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

In particular, the consolidated financial statements as of 30 June 2005 were prepared considering the provisions of IAS 34 – Interim Financial Statements, although, as they are the first interim financial statements prepared in accordance with IFRS, they include a set of selected extended notes.

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

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The consolidated balance sheet as of 31 December 2004 and consolidated statements of profit and loss, cash flows and changes in shareholders' equity for the half year ended 30 June 2004, presented for comparative purposes, were restated in accordance with IFRS. The adjustments, effective as of 1 January 2004, the transition date, were made in accordance with the provisions of IFRS 1 – First Adoption of the International Financial Reporting Standards. The disclosures required under IFRS 1, relating to the transition from the accounting standards in force in Portugal to IFRS. As established in IFRS 1, the effects of the adjustments as of 1 January 2004, relating to the adoption of IFRS, have been reflected in retained earnings (Note 20).

On the absence of a specific standard related to the accounting treatment of greenhouse effect gases emissions and emission licenses, as of 30 June 2005, it was not posted any entry related to this matter, since no related transactions have occurred and it is estimated that the emissions level will not exceed the licenses attributed to the Company.

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

2.2. Consolidation principles

a) Controlled companies

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

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

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

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

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

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

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

b) Interests in joint ventures

Cimpor Group has proportionally consolidated the financial statements of jointly controlled entities beginning on the date the joint control is effective. Under this method, assets, liabilities, income and expenses of the entity are considered, on a proportional basis, to the correspondent consolidated caption. Financial investments are classified as jointly controlled entities if the joint control agreement clearly demonstrates the existence of a joint control.

All transactions and balances with the jointly controlled entities are eliminated to the extent of the Group's interest in the joint venture.

c) Concentration of business activities

The concentration of business activities, namely the acquisition of subsidiaries is recorded in accordance with the purchase method. Cost corresponds to the sum of the fair values of the assets acquired less the liabilities incurred or assumed and the capital instruments issued in exchange for the control acquired as of the transaction date.

Assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value as of the acquisition date. Any excess of cost over the fair value of the identifiable net assets acquired as of the acquisition date is recorded as goodwill. Where cost is lower than the fair value of the net assets identified, the difference is recorded as a gain in the statement of profit and loss for the period in which the acquisition occurs. Minority shareholders' interests are reflected in proportion to the fair value of the assets and liabilities identified.

d) Investments in associated companies

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

Investments in the majority of associated companies (Note 12) are recorded in accordance with the equity method, except where they are classified as held for sale. Investments are originally recorded at cost which is then increased or decreased by the difference between cost and the proportional value of the equity of such companies as of the date of acquisition or the date the equity method was first used.

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In accordance with the equity method investments are adjusted periodically by the value corresponding to participation in the net results of associated companies by corresponding entry to gain or loss on investments (Note 6) and by other changes in shareholders' equity by corresponding entry to adjustments in equity investments, as well by recognition of impairment losses.

Losses in associated companies in excess of the investment in such companies are not recognised, unless the Group expects that such costs could be assumed to cover future losses.

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

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

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

e) Goodwill

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

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

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

As a result of the exception established in IFRS 1, the Group applied the provisions of IFRS 3 –Business Combinations, to acquisitions after 31 December 1998. Goodwill on acquisitions after that date were restated in the currency of the subsidiary.

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

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

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

Goodwill on investments in foreign subsidiaries is recorded in the reporting currency of the subsidiary, being translated to the Group's reporting currency (euros) at the exchange rate in force on the balance sheet date. Exchange differences arising on such translations are recorded in the caption "Currency translation".

2.3. Non-current assets held for sale

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

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

2.4. Intangible assets

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

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

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

Amortisation of such assets is provided on a straight line basis as from when the assets start being used, in accordance with the period the Group expects to use them.

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

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2.5. Tangible fixed assets

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

Although Cimpor applied the cost value as the valuation criteria for its tangible fixed assets, on the transition date some of the assets related with the cement business were re-valuated, whereby that new amount is now called a deemed cost.

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

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

Depreciating amount does not include the estimated residual value on the end of its useful lives. Additionally, depreciation is stopped when those assets are classified as non-current assets held for sale.

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 tangible fixed assets are recorded only when they result in increased future economic benefits and are depreciated according to the increase in the useful life of the respective assets.

In-progress tangible fixed assets are measured at production or acquisition cost less impairment losses. These assets are depreciated as from when they become available for this intended use.

Gains or losses arising from the retirement or disposal of a tangible fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement as other operating expenses and other operating income.

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2.6. Leasing

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

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

Fixed assets acquired under finance lease contracts, as well as the corresponding liabilities are recorded in accordance with the financial method, the fixed assets, corresponding accumulated depreciation and liabilities being recognised in accordance with the contracted financial plan. In addition, the interest included in the lease instalments and depreciation of the tangible fixed assets are recognised as costs in the statement of profit and loss for the period to which they relate.

In the case of operating leases, the lease instalments are recognised as costs on a straight line basis in the statement of profit and loss over the period of the lease contract.

2.7. Impairment of non-current assets, excluding goodwill

Impairment valuations are made whenever an event or change in circumstances is identified that indicates that the book value of an asset may not be recovered. Where such indications exist, the Group determines the recoverable value of the asset, so as to determine the possible extension of the impairment loss.

In situations in which the individual asset does not generate cash flows independently of other assets, the estimated recoverable value is determined for the cash generating unit to which the asset belongs.

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

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

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

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

2.8. Foreign currency assets, liabilities and transactions

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

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

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

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

The effect of such translations after 1 January 2004 is reflected in the shareholders’ equity caption “Currency translation adjustments”, and is transferred to the statement of profit and loss when the corresponding investments are sold.

In accordance with IAS 21 goodwill and fair value corrections determined on the acquisition of foreign entities are considered in the reporting currency of such entities being translated to euros at the exchange rates in force on the balance sheet dates. Such exchange differences are reflected in the caption “Cumulative foreign currency translation adjustments”.

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

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2.9. Financing costs

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

2.10. Government grants

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

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

Investment subsidies relating to the acquisition of tangible fixed assets are deducted from the value of such fixed assets and recognised in the statement of profit and loss on straight line consistent basis in proportion to depreciation of the subsidised fixed assets.

2.11. Inventories

Merchandise and raw materials are stated at average cost, which is lower than the corresponding market value.

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

Inventory depreciation adjustments are recorded by the difference between cost and the realisable value of inventories, where the latter is lower.

2.12. Operating results

Operating results includes restructuring costs and excludes the results of investment and financing operations.

2.13. Provisions

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

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

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2.14. Financial instruments

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

Cash and cash equivalents

The caption “Cash and cash equivalents” includes cash, bank deposits, term deposits and other treasury applications available in less than three months, which be demanded immediately with insignificant risk of change in amount.

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

Accounts receivable

Accounts receivable do not have implicit interest and are reflected at their nominal value, less estimated losses on realisation.

Investments

Investments are classified as follows:

- Held-to-maturity investments;
- Assets at fair value through profit and loss;
- Financial assets available for sale.

Held-to-maturity investments are classified as non current assets, except if they mature in less than twelve months from the balance sheet date, investments with a defined maturity date which the Group intends and has the capacity to hold up to that date being recorded in this caption.

Assets at fair value through profit and loss are classified as current investments.

Financial assets available for sale are classified as non current assets.

All purchases and sales of such investments are recognised on the dates of the respective purchase and sale contracts, independently of the date of financial settlement.

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

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After initial recognition, assets valued at fair value by means of their results and financial assets available for sale are revalued to their fair value by reference to their market value as of the balance sheet date with no deduction for costs of transactions that could occur up to their sale. Where the investments are in capital instruments not listed on regulated markets and where it is not possible to estimate their fair value on a reliable basis, they are maintained at cost less possible impairment losses.

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

Gains and losses due to changes in the fair value of assets valued at fair value by means of their results are recognised in the statement of profit and loss for the period.

Held-to-maturity investments are recorded at capitalised cost based on the effective interest rate, net of repayments of principal and payment of interest.

Financial liabilities and capital instruments

Financial liabilities and capital instruments are classified in accordance with the substance of the contract independently of its legal form. Capital instruments are contracts that show a residual interest in the Group's assets after deduction of the liabilities.

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

Bank loans

Loans are recorded as liabilities at the amount received, net of costs of issuing such loans. Financial costs, calculated in accordance with the effective interest rate, including premiums payable are recorded on an accruals basis, being added to the book value of the loans if they are not paid during the year.

Accounts payable

Accounts payable do not bear interest and are recorded at their nominal value.

Derivative financial instruments and hedge accounting

The Group has the policy of resorting to financial derivative instruments to hedge the financial risks to which it is exposed as a result of changes in interest rates and exchange rates. In this respect the Group does not resort to financial derivative instruments for speculation purposes.

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

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

Hedge accounting

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

Variations in the fair value of derivative instruments designated as fair value hedges are recognised in the statement of profit and loss for the period, together with changes in the fair value the asset or liability subject to the risk.

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

Variations in the value of financial derivative instruments hedging net investments in a foreign entity, as in the case of cash flow hedging instruments, are recorded in the caption “Cumulative foreign currency translation adjustments” as regards their effective component. The non efficient component of such variations is recognised immediately in the statement of profit and loss for the period. If the hedging instrument is not a derivative, the corresponding variations resulting from changes in the exchange rate are recorded in the caption “Cumulative foreign currency translation adjustments”.

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

Trading instruments

Variations in the fair value of derivative financial instruments which are contracted for financial hedging purposes in accordance with the Group’s risk management policies, but do not comply with the requirements of IAS 39 as regards the possibility of qualifying for hedge accounting, are recorded in the statement of profit and loss for the year in which they occur.

Treasury stock

Treasury stock is recorded at cost as a reduction of shareholders’ equity. Gains and losses on the sale of treasury stock are recorded in the caption “Other reserves”.

2.15. Retirement benefits

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Retirement benefits are recorded in accordance with IAS 19. The Standard requires an enterprise to recognise an expense when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

These costs are recorded as “Payroll expenses”, except actuarial gains and losses that are reflected in Reserves on the period in which they occur.

An actuarial valuation is performed at the end of each year in order to calculate the present value of the past service liability and the cost to be recorded in the period. The present value of the past service liability is compared with the market value of the plan’s assets in order to determine the differences to be recorded in the balance sheet. The costs incurred in the year are recorded as payroll expenses, based on the actuarial data.

In accordance with this directive, payments made to the defined contribution plan are expensed in the year to which they relate. In the case of the defined benefits plan, costs are expensed over the normal active service life of the employees. These costs are computed in accordance with the Projected Unit Credit Method based on the periodic actuarial calculations of its liability, obtained by the Group.

Past service costs are recognised immediately in the case of benefits under payment and, where this is not the case, on a straight line basis over the estimated average period up to the date the rights are acquired by the employees (in the majority of cases on their retirement date if they are at the Group’s service).

2.16. Healthcare benefits

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

Specific provisions to cover this liability are recorded in accordance with the criteria established by IAS 19.

The actuarially determined liability for the healthcare to be provided as from the retirement age of employees is recorded in the balance sheet caption “Employee benefits”.

An actuarial valuation is performed at the end of each year in order to calculate the present value of the past service liability.

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2.17. Payments based on shares

The Group has applied the provisions of IFRS 2, the transitory measures of which establish that it is applicable to all contracts relating to capital instruments entered into after 7 November 2002 and that had not matured at 1 January 2005.

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

2.18. Contingent assets and liabilities

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

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

2.19. 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 simultaneously with the correspondent increase of the related asset (depreciated over the estimated useful life), 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.

2.20. Income and accruals basis

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

Income from services rendered is recognised in the consolidated statement of profit and loss with reference to the phase of completion of the services rendered at the balance sheet date.

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Dividends are recognised as income in the period they are attributed to the partners or shareholders.

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

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

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

2.21. Income tax

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

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

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

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

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

2.22. Subsequent events

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

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

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3. Changes in the companies included in the consolidation

The main change in the six month period ended 30 June 2005 in the companies included in the consolidation arrive from the acquisition of Nordicave Trading Industrial, Lda., which has a participation of 86,65% in Cimentos de Cabo Verde, S.A..

The impact of this change on consolidated financial statements for the six months ended 30 June 2005 is not relevant, and once applicable, is included on the following notes.

4. Exchange rates used to translated foreign currency financial statements

As at 30 June 2005 and 31 December 2004, foreign currency assets and liabilities were translated to euros, as well the transactions for the six months ended 30 June 2005 and 2004, using the following exchange rates:

Currency	Segment	Closing exchange rate		Average exchange rate	
		2005	2004	2005	2004
USD	Others	1.2092	1.3621	1.2864	1.2439
MAD	Morroco	10.9596	11.2196	11.1489	11.1420
BRL	Brazil	2.8489	3.6147	3.3137	3.6361
TND	Tunisia	1.5957	1.6352	1.6320	1.6100
MZM	Others	29,637	25,314.4	26,456	27,363.7
CVE	Others	110.265	-	110.265	-
EGP	Egypt	7.0043	8.2679	7.5428	7.7663
ZAR	South Africa	8.0254	7.6897	7.9884	8.0265

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5. Segment reporting

The Group operates in several geographical areas. These segments are consistent with the way management currently analyses its business. The main information for the six months ended 30 June 2005 and 2004, for each of these locations, is as follows:

2005

	Portugal	Spain	Brazil	Egypt	Tunisia	Morocco	South Africa	Others	Unallocated	Eliminations	Consolidated
Revenue											
External sales	264,864	184,314	102,850	40,576	26,557	28,647	49,027	27,319	16,927	-	741,081
Inter segment sales	32,316	1,255	521	4,868	-	-	2,463	-	41,690	(83,112)	-
	<u>297,179</u>	<u>185,569</u>	<u>103,371</u>	<u>45,443</u>	<u>26,557</u>	<u>28,647</u>	<u>51,490</u>	<u>27,319</u>	<u>58,617</u>	<u>(83,112)</u>	<u>741,081</u>
Operating income	<u>75,189</u>	<u>33,797</u>	<u>20,883</u>	<u>13,109</u>	<u>2,272</u>	<u>8,906</u>	<u>16,093</u>	<u>1,404</u>	<u>(3,286)</u>	<u>-</u>	<u>168,367</u>
Financial expenses											(103,385)
Financial income											70,923
Share of results of associates											14,483
Investment income											1,252
Profit before income tax											<u>151,639</u>
Income tax											(27,224)
Profit after tax											<u>124,416</u>

All inter segment transactions were made at market values.

The disclosed net income for these reportable segments does not include minority interests, which amounted to:

	Portugal	Spain	Brazil	Egypt	Tunisia	Morocco	South Africa	Others	Unallocated	Consolidated
Profit for the period attributable to minority interest	1,223	(264)	-	320	-	2,142	-	335	259	4,015

Other information:

	Portugal	Spain	Brazil	Egypt	Tunisia	Morocco	South Africa	Others	Unallocated	Consolidated
Fixed capital expenditure	14,054	9,160	3,856	949	2,887	10,053	3,452	9,457	8,934	62,802
Depreciation and amortization	23,599	15,938	7,738	5,624	3,558	3,194	3,316	928	903	64,799
Provisions	571	1,048	78	1,045	-	-	69	-	3,725	6,536

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2004

	Portugal	Spain	Brazil	Egypt	Tunisia	Morroco	South Africa	Others	Unallocated	Eliminations	Consolidated
Revenue											
External sales	263 968	168,390	96 553	28,606	26 767	25,927	38 473	22 495	7,224	-	678,402
Inter segment sales	26 053	1,158	-	916	-	-	-	25	28,361	(56 513)	-
	<u>290,022</u>	<u>169,548</u>	<u>96,553</u>	<u>29,522</u>	<u>26,767</u>	<u>25,927</u>	<u>38,473</u>	<u>22,520</u>	<u>35,585</u>	<u>(56,513)</u>	<u>678,402</u>
Operating income	70 393	29 638	31 712	2 790	4 980	8,692	14 222	4,407	(9 456)	-	157 379
Financial expenses											(74,022)
Financial income											67 992
Share of results of associates											14 347
Investment income											1 328
Profit before income tax											<u>167,024</u>
Income tax											(37 844)
Profit after tax											<u>129,180</u>

All inter segment transactions were made at market values.

The disclosed net income for these reportable segments does not include minority interests, which amounted to:

	Portugal	Spain	Brazil	Egypt	Tunisia	Morroco	South Africa	Others	Unallocated	Consolidated
Profit for the period attributable to minority interest	976	249	40	162	-	2,027	-	423	42	3,919

Other information:

	Portugal	Spain	Brazil	Egypt	Tunisia	Morroco	South Africa	Others	Unallocated	Consolidated
Fixed capital expenditure	18 036	18 389	739	6 647	6,879	3 383	738	622	87	55 521
Depreciation and amortization	21 172	14 464	7 110	5,052	2 169	2,148	2 946	691	145	55,897
Provisions	264	(329)	(521)	5 523	2	(171)	160	479	2 920	8 327

In addition, as at 30 June 2005 and 31 December 2004, the reconciliation between assets and liabilities of reportable segments and consolidated assets, is as follows:

2005

	Portugal	Spain	Brazil	Egypt	Tunisia	Morroco	South Africa	Others	Unallocated	Eliminations	Consolidated
Assets											
Segment assets	920,888	655,298	1,000,026	566,645	148,470	90,957	188,061	54,626	742,081	(951,473)	3 415 590
Interests in associates											277 966
Total of consolidated assets											<u>3,693,586</u>
Liabilities											
Segment liabilities	405,454	423,333	99,004	350,451	19,818	33,325	18,938	24,669	1,875,492	(951,473)	2 299 013
Total of consolidated liabilities											<u>2,299,013</u>

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2004

	Portugal	Spain	Brazil	Egypt	Tunisia	Morocco	South Africa	Others	Unallocated	Eliminations	Consolidated
Assets											
Segment assets	<u>806,020</u>	<u>966,723</u>	<u>841,071</u>	<u>239,799</u>	<u>152,340</u>	<u>83,013</u>	<u>187,684</u>	<u>72,792</u>	<u>1,108,827</u>	<u>(1,310,945)</u>	3 147 324
Interests in associates											268 405
Total of consolidated assets											<u>3,413,729</u>
Liabilities											
Segment liabilities	<u>291,320</u>	<u>342,817</u>	<u>97,384</u>	<u>403,422</u>	<u>18,607</u>	<u>26,369</u>	<u>22,758</u>	<u>22,717</u>	<u>2,271,552</u>	<u>(1,310,945)</u>	2 165 988
Total of consolidated liabilities											<u>2,185,988</u>

Following is a break-down of the main information as of 30 June 2005 and 2004, by business segment:

	<u>2005</u>	<u>2004</u>
Cement	528,271	487,375
Ready-mix and pre-cast concrete	193,284	166,165
Others	<u>19,526</u>	<u>24,862</u>
Total	<u>741,081</u>	<u>678,402</u>

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6. Financial expenses, net

During the six months periods ended 30 June 2005 and 2004, this caption consists of:

	<u>2005</u>	<u>2004</u>
Financial expenses		
Interest expenses		
Change in derivative financial instruments fair value	12,978	18,980
Others	35,472	30,648
Foreign exchange loss		
Change in derivative financial instruments fair value	40,918	12,830
Others	7,654	4,520
Financial discounts	1,491	2,670
Other financial expenses	4,871	4,374
	<u>103,385</u>	<u>74,022</u>
Financial income		
Interest income		
Change in derivative financial instruments fair value	8,357	34,814
Others	12,052	9,639
Foreign exchange gain		
Change in derivative financial instruments fair value	37,560	12,500
Others	11,522	3,389
Cash discounts	415	371
Gains on the sale of other financial assets	89	129
Other financial income	927	7,151
	<u>70,923</u>	<u>67,992</u>
Share of profit of associates:		
Losses in associated companies	(663)	(70)
Gains in associated companies	15,146	14,417
	<u>14,483</u>	<u>14,347</u>
Investments income:		
Dividends	<u>1,252</u>	<u>1,328</u>

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7. Income tax

During the six months periods ended 30 June 2005 and 2004, the income tax charge is made up as follows:

	2005	2004
Current income tax	19,994	19,688
Deferred tax	6,855	17,672
Tax contingencies	375	484
Income tax for the year	<u>27,224</u>	<u>37,844</u>

Temporary differences between the recognition of income and expenses for accounting and for tax purposes are considered in computing the income tax charge for the period in accordance with IAS 12 – Income taxes.

Reconciliation of the income tax provision at the statutory Portuguese income tax rate and the effective income tax rate, for the periods of six months ended 30 June 2005 and 2004, is as follows:

	2005		2004	
	Tax base	Income tax	Tax base	Income tax
Profit before income tax	151,639		167,024	
Permanent differences	<u>(49,922)</u>		<u>(25,443)</u>	
	<u>101,717</u>		<u>141,580</u>	
Normal charge		27,972		38,935
Tax benefits		(906)		(3,497)
Rate differences		(217)		1,922
Tax contingencies		375		484
Charge for the period		<u>27,224</u>		<u>37,844</u>

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

8. Dividends

The Annual General Meeting of 27 April 2005 approved the proposal of the Board to distribute a 18 cents dividend per share relating to the net income of 2004 (17 cents dividend per share on 2004).

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9. Net Income per Share

The net income per share, basic and diluted for the six months periods ended 30 June 2005 and 2004 were computed as follows:

	<u>2005</u>	<u>2004</u>
Net income per basic share		
Net income considered in the computation of basic earnings per share	120,401	125,261
Weighted average common shares for effect of calculation of the net earnings for basic shares (thousands)	667,682	666,918
Basic earnings per share	<u>0.18</u>	<u>0.19</u>
Net income per diluted earnings per share		
Net income considered in the computation of basic earnings per share	120,401	125,261
Weighted average common shares for effect of calculation of the net earnings for basic shares (thousands)	667,682	666,918
Effect of dilutive potential ordinary shares from share options (thousands of options)	1,537	1,105
Weighted average common shares for effect of calculation of the diluted earnings for shares (thousands)	<u>669,219</u>	<u>668,023</u>
Diluted earnings per share	<u>0.18</u>	<u>0.19</u>

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10. Goodwill

The movement in this caption, as well as in impairment losses, for the six months periods ended 30 June 2005 and 2004, were as follows:

	2005								Total
	Portugal	Spain	Brazil	Egypt	Tunisia	Morocco	South Africa	Others	
Gross assets:									
As at 1 January 2005	23,087	69,349	459,193	69,700	71,546	27,254	132,025	-	852,153
Foreign currency translation adjustments	-	-	74,129	12,574	-	-	(5,524)	-	81,180
Increases	-	-	-	-	-	-	-	6,842	6,842
Others	(784)	-	-	-	-	-	-	-	(784)
As at 30 June 2005	22,303	69,349	533,322	82,274	71,546	27,254	126,501	6,842	939,391
Accumulated impairment losses:									
As at 1 January 2005	-	-	-	-	-	24,031	-	-	24,031
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-	-	-
As at 30 June 2005	-	-	-	-	-	24,031	-	-	24,031
Net value	22,303	69,349	533,322	82,274	71,546	3,223	126,501	6,842	915,360
	2004								
	Portugal	Spain	Brazil	Egypt	Tunisia	Morocco	South Africa	Others	Total
Gross Assets:									
As at 1 January 2004	5,088	34,921	485,681	144,313	53,376	15,284	89,326	(2,236)	825,752
Adjustments to conform with IFRS	12,126	22,985	(36,101)	(70,365)	18,170	11,971	32,256	2,236	(6,722)
As at 1 January 2004 according with IFRS	17,214	57,906	449,580	73,948	71,546	27,254	121,582	-	819,030
Foreign currency translation adjustments	-	-	(8,488)	2,644	-	-	8,846	-	3,002
Increases	4,518	2,431	3,443	-	-	-	-	-	10,392
Others	-	-	-	-	-	-	-	-	-
As at 30 June 2004	21,732	60,337	444,535	76,592	71,546	27,254	130,428	-	832,423
Accumulated impairment losses:									
As at 1 January 2004	-	-	-	-	-	12,131	-	-	12,131
Adjustments to conform with IFRS	-	-	-	-	-	11,900	-	-	11,900
As at 1 January 2004 according with IFRS	-	-	-	-	-	24,031	-	-	24,031
Foreign currency translation adjustments	-	-	-	-	-	-	-	-	-
Increases	-	-	-	-	-	-	-	-	-
Decreases	-	-	-	-	-	-	-	-	-
As at 30 June 2004	-	-	-	-	-	24,031	-	-	24,031
Net value	21,732	60,337	444,535	76,592	71,546	3,223	130,428	-	808,392

Goodwill is tested, on an annual basis, and whenever there is any indication that may be impaired, for impairment losses, which are recognized in the net income for the period they occur and could not be reversed in a subsequent period.

The impairment tests are based on the sum of discounted cash flows of each of the business segments, based on the most recent financial estimates performed by the Company management.

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11. Tangible fixed assets

The movement in this caption, as well as in accumulated depreciation and in the impairment losses, for the six months periods ended 30 June 2005 and 2004, were as follows:

	2005									Total
	Land	Buildings and other constructions	Basic equipment	Transportation equipment	Administrative equipment	Tools and dies	Other tangible assets	In-progress tangibles assets	Advance to suppliers of assets	
Gross Assets:										
As at 1 January 2005	261,461	517,279	2,805,436	80,279	46,498	6,914	8,983	115,731	4,596	3,647,177
Changes in the consolidation perimeter	(2,718)	75	4,330	202	143	45	6	44	-	2,130
Foreign currency translation adjustments	14,485	13,558	131,151	2,979	1,951	296	139	3,562	467	168,598
Increases	2,388	1,525	5,428	9,880	406	107	187	39,827	914	60,672
Others	(188)	(187)	(4,842)	(609)	(317)	(45)	(11)	-	-	(6,597)
Transfers	365	28,832	64,639	(233)	1,077	282	58	(83,185)	(801)	11,055
As at 30 June 2005	275,845	561,081	2,808,041	92,199	49,750	7,599	9,383	75,969	5,176	3,883,032
Accumulated depreciation and impairment losses:										
As at 1 January 2005	30,847	242,470	1,814,238	60,334	37,341	5,850	5,273	-	-	2,166,151
Changes in the consolidation perimeter	(380)	(96)	2,932	109	82	16	4	-	-	2,668
Foreign currency translation adjustments	208	3,859	80,884	2,436	1,355	255	78	-	-	89,074
Increases	1,363	9,959	47,494	2,459	1,369	208	402	-	-	63,233
Others	-	(22)	(4,581)	(659)	(305)	(32)	(6)	-	-	(5,815)
Transfers	22	(18)	828	(302)	14	1	-	-	-	544
As at 30 June 2005	31,891	256,150	1,941,785	64,187	39,854	6,297	5,751	-	-	2,345,855
Net value	243,954	304,930	866,256	28,012	9,905	1,302	3,632	75,969	5,176	1,537,177
	2004									
	Land	Buildings and other constructions	Basic Equipment	Transportation Equipment	Administrative Equipment	Tools and dies	Other tangible assets	In-progress tangibles assets	Advance to suppliers of assets	Total
Gross Assets:										
As at 1 January 2004	207,272	1,098,716	2,579,912	64,791	44,861	6,901	9,967	141,092	8,842	4,151,353
Adjustments to conform with IFRS	46,367	(604,295)	(102,793)	-	-	-	-	-	-	(660,692)
As at 1 January 2004 according with IFRS	253,639	494,421	2,477,119	64,791	44,861	6,901	9,967	141,092	8,842	3,490,661
Changes in the consolidation perimeter	8,095	1,871	6,044	228	85	9	96	-	-	14,428
Foreign currency translation adjustments	(326)	(532)	14,667	176	143	36	24	1,719	50	15,956
Increases	96	288	11,590	491	455	38	257	25,950	1,919	41,093
Others	(4)	(236)	5,498	(1,908)	(258)	(31)	(67)	-	-	(8,002)
Transfers	-	5,262	93,195	3,883	1,398	3	102	(86,450)	(1,186)	5,164
As at 30 June 2004	259,529	491,084	2,597,115	67,641	46,682	6,957	9,378	72,311	9,625	3,560,320
Accumulated depreciation and impairment losses:										
As at 1 January 2004	32,958	787,789	2,033,579	56,681	35,128	5,608	6,053	-	-	2,857,798
Adjustments to conform with IFRS	(5,053)	(564,840)	(303,800)	-	-	-	-	-	-	(873,494)
As at 1 January 2004 according with IFRS	27,904	222,948	1,729,779	56,681	35,128	5,608	6,053	-	-	2,084,302
Changes in the consolidation perimeter	-	36	3,965	162	28	8	46	-	-	3,345
Foreign currency translation adjustments	40	(214)	4,408	124	133	29	22	-	-	4,541
Increases	1,328	9,243	50,849	1,830	1,467	237	317	-	-	65,269
Others	-	(153)	(3,899)	2,295	(83)	(31)	(40)	-	-	(6,510)
Transfers	1	599	2,722	3,286	55	1	20	-	-	6,894
As at 30 June 2004	29,272	232,459	1,787,122	59,798	36,718	5,852	6,418	-	-	2,157,641
Net value	230,256	258,624	809,993	7,841	9,964	1,104	2,960	72,311	9,625	1,402,679

As previously mentioned on Note 2.5., the valuation criterion of its tangible fixed assets is the historical cost. However, Cimpor Group has adopted one of IFRS 1 exception and has revalued as at the date of transition to IFRS some of the tangible fixed assets related to cement activity. The revalued amounts, based on revaluations studies done by independent entities, are considered as deemed cost.

Additionally, on the date of transition to IFRS, land value was increased to reflect the estimated charges with recovery of quarries.

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12. Investments in associated companies

This caption had the following movements during the six months periods ended 30 June 2005 and 2004:

	2005		
	Investment	Goodwill	Total
As at 1 January 2005	179,647	86,758	266,405
Foreign currency translation adjustments	-	2,816	2,816
Equity method effects:			
On income effect	14,483	-	14,483
Equity effect	(1,922)	-	(1,922)
Dividends received	(3,892)	-	(3,892)
Increases	23	-	23
Transfers	83	-	83
As at 30 June 2005	<u>188,422</u>	<u>89,574</u>	<u>277,996</u>
	2004		
	Investment	Goodwill	Total
As at 1 January 2004	77,199	71,252	148,451
Adjustments to conform with IFRS	(3,361)	(11,672)	(15,033)
As at 1 January 2004 according with IFRS	73,838	59,580	133,418
Equity method effects:			
On income effect	14,347	-	14,347
Equity effect	(2,095)	-	(2,095)
Dividends received	(3,336)	-	(3,336)
Increases	11,259	282	11,541
As at 30 June 2004	<u>94,013</u>	<u>59,862</u>	<u>153,875</u>

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13. Deferred taxes

As at 30 June 2005 and 2004, the Group recognized deferred tax assets and liabilities, with the following nature and movements:

	2005				Closing balance
	Opening balance	Foreign currency translation adjustments	Income taxes	Equity	
Deferred tax assets:					
Intangible assets adjustments	2 049	214	228	-	2 490
Goodwill adjustments	5 248	1,098	(1,116)	-	5,230
Revaluation and adjustments of tangible assets	10,962	1 776	(755)	-	11,983
Tax losses carryforward	39 667	(11 529)	(7,249)	-	20 890
Provisions for risks and charges	12,904	961	(92)	-	13,773
Doubtful accounts adjustments	1,679	(46)	80	-	1,713
Inventories depreciation adjustments	1,833	62	(75)	-	1,820
Financial investments adjustments	1,455	-	-	-	1,455
Others	25,636	79	1,677	1,158	28,549
	<u>101,433</u>	<u>(7,385)</u>	<u>(7,302)</u>	<u>1,158</u>	<u>87,903</u>
Deferred tax liabilities:					
Revaluation and adjustments of tangible assets	104 891	749	(170)	-	105 470
Provisions for risks and charges	2 519	-	147	-	2 666
Others	4,890	1,074	(423)	-	5,541
	<u>112,301</u>	<u>1,823</u>	<u>(446)</u>	-	<u>113,678</u>
Net deferred tax	<u>(10,868)</u>	<u>(9,209)</u>	<u>(6,855)</u>	<u>1,158</u>	<u>(25,775)</u>

	2004							
	Opening balance	Adjustments to conform with IFRS	Opening Balance according with IFRS	Changes in the consolidation perimeter	Foreign currency translation adjustments	Income taxes	Equity	Closing balance
Deferred tax assets:								
Intangible assets adjustments	69	1 127	1 196	-	(2)	493	-	1 697
Goodwill adjustments	7 246	-	7 246	-	(174)	(1 033)	-	6 040
Revaluation and adjustments of tangible assets	32 639	(24 121)	8 518	-	445	1,034	-	9 998
Tax losses carryforward	45 564	-	45 564	37	(3 601)	(9 999)	-	32 001
Provisions for risks and charges	11 621	-	11 621	-	(41)	745	-	12 325
Doubtful accounts adjustments	3 012	-	3 012	8	-	(1,687)	-	1 334
Inventories depreciation adjustments	2 389	-	2 389	60	16	(201)	-	2 264
Financial investments adjustments	1 220	-	1 220	-	-	1,218	-	2 438
Others	1 372	27 233	28 605	-	8	(5,101)	7,833	31,345
	<u>105,132</u>	<u>4,238</u>	<u>109,370</u>	<u>106</u>	<u>(3,348)</u>	<u>(14,529)</u>	<u>7,833</u>	<u>99,432</u>
Deferred tax liabilities:								
Revaluation and adjustments of tangible assets	76 101	31 530	107 631	2	1 407	2 005	-	111 046
Financial investments adjustments	757	-	757	-	-	106	-	863
Provisions for risks and charges	1 423	-	1 423	-	-	360	-	1 783
Others	4,149	-	4,149	-	(118)	671	390	5,093
	<u>82,430</u>	<u>31,530</u>	<u>113,960</u>	<u>2</u>	<u>1,289</u>	<u>3,143</u>	<u>390</u>	<u>118,795</u>
Net deferred tax	<u>22,702</u>	<u>(27,291)</u>	<u>(4,589)</u>	<u>103</u>	<u>(4,637)</u>	<u>(17,672)</u>	<u>7,443</u>	<u>(19,353)</u>

The other deferred tax assets relates mainly to the recognition of financial instruments (Note 16).

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14. Cash and cash equivalents

As at 30 June 2005 and 31 December 2004, this caption consists of:

	2005	2004
Cash	497	647
Bank deposits	62,167	110,291
Marketable securities	176,039	128,517
	<u>238,702</u>	<u>239,455</u>
Bank overdrafts	(52,222)	(34,320)
	<u>186,481</u>	<u>205,134</u>

The caption “Cash and cash equivalents” includes cash, bank deposits, term deposits and other treasury applications available in less than three months, which be demanded immediately with insignificant risk of change in amount.

15. Loans

As of 30 June 2005 and 31 December 2004 this caption consists of:

	2005	2004
Non-currents liabilities:		
Bonds	928,057	885,917
Bank loans	557,184	413,431
Other loans	7,755	8,925
	<u>1,492,996</u>	<u>1,308,273</u>
Currents liabilities:		
Bonds	2,677	3,134
Bank loans	97,992	150,749
Other loans	2,399	2,403
	<u>103,068</u>	<u>156,287</u>
	<u>1,596,064</u>	<u>1,464,560</u>

Bonds

Unconvertible bonds as of 30 June 2005 and 31 December 2004 are made up as follows:

Drawer	Financial instrument	Issue	Interest rate	Conditions / repayment	2005		2004	
					Current	Non-current	Current	Non-current
CIMPOR Financial Operations B V	Eurobonds	27 May 2004	Fixed rate EUR 4.50%	27 May 2011	-	595 852	-	595 500
CIMPOR Financial Operations B V	US Private Placement 10Y	27 June 2003	Fixed rate EUR 4.75%	27 June 2013	-	120 595	-	105 153
CIMPOR Financial Operations B V	US Private Placement 12Y	27 June 2003	Fixed rate EUR 4.90%	27 June 2015	-	208 934	-	180 563
Cimentos de Moçambique S A R L	Bonds	13 December 2004	TAM + 5.25%	(i)	2,677	2,676	3,134	4,701
					<u>2,677</u>	<u>928,057</u>	<u>3,134</u>	<u>885,917</u>

(i) 5 Half yearly payments starting June 2005

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In accordance with IAS 39 conditions, related to hedge accounting (Note 16), the “US Private Placements” includes changes in its fair value, amounting 15,181 thousand euros and 58,994 thousand euros as of 30 June 2005 and 31 December 2004.

Bank loans

The bank loans as of 30 June 2005 and 31 December 2004 are made up as follows:

2005

Type	Currency	Interest rate	Non-current
Bilateral	EUR	Euribor + 0.275%	392,500
EIB Loan	EUR	EIB Basic Rate	60,000
Bilateral	EGP	Caibor + 1.125%	16,354
Bilaterals	BRL	Several	12,875
Bilateral	EUR	Euribor + 1.5%	15,410
Others	ZAR	Several	142
Others	EUR	Several	59,903
			<u>557,184</u>

Type	Currency	Interest rate	Current
Comercial paper	EUR	2.2%	25,000
Bilateral	EGP	Caibor + 1.125%	4,673
Bilateral	EGP	11.70%	73
Bilateral	EUR	Euribor + 1.5%	3,340
Bilaterals	BRL	Several	3,466
Bilaterals	EUR	Several	2,003
Bilaterals	ZAR	Several	277
Overdrafts	MZM	-	1,094
Overdrafts	EGP	-	9,794
Overdrafts	MAD	-	5,152
Overdrafts	EUR	-	31,854
Overdrafts	TND	-	2,412
Overdrafts	ZAR	-	1,916
Others	EUR	-	6,938
			<u>97,992</u>

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2004

Type	Currency	Interest rate	Non-current
Syndicated loan	EUR	Euribor + 0.50%	300,000
EIB Loan	EUR	EIB Basic Rate	60,000
Bilateral	EGP	Caibor + 1.125%	15,833
Bilaterals	BRL	Several	11,101
Bilateral	EUR	Euribor + 1.5%	15,625
Bilateral	EGP	11.70%	62
Others	ZAR	Several	262
Others	EUR	Several	10,549
			<u>413,431</u>

Type	Currency	Interest rate	Current
Bilateral	EUR	Euribor + 0.675%	87,500
Bilateral	USD	Libor + 1%	4,512
Bilateral	EGP	Caibor + 1.125%	3,958
Bilateral	EGP	11.70%	520
Bilateral	EUR	Euribor + 1.5%	6,250
Bilaterals	BRL	Several	3,068
Bilaterals	EUR	Several	3,496
Bilaterals	ZAR	Several	358
Overdrafts	EGP	-	12,031
Overdrafts	MAD	-	4,216
Overdrafts	EUR	-	15,994
Overdrafts	TND	-	1,997
Overdrafts	ZAR	-	82
Others	EUR	-	6,767
			<u>150,749</u>

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At 30 June 2005 and 31 December 2004, the non-current portion of the loans was repayable as follows:

	<u>2005</u>	<u>2004</u>
2006	229,126	141,963
2007	179,720	148,360
2008	102,564	80,930
2009	11,946	14,149
2010	10,246	7,639
2011	603,199	602,849
2011 and following years	<u>356,196</u>	<u>312,383</u>
	<u><u>1,492,996</u></u>	<u><u>1,308,273</u></u>

At 30 June 2005 and 31 December 2004, the loans were expressed on the following currencies:

Currency	<u>2005</u>		<u>2004</u>	
	<u>Currency</u>	<u>Euros</u>	<u>Currency</u>	<u>Euros</u>
EUR	-	1,202,954	-	1,113,009
USD	404,000	329,529	410,146	290,228
EGP	216,390	30,894	267,920	32,405
MZM	191,076,175	6,447	198,333,300	7,835
BRL	46,554	16,341	51,218	14,169
ZAR	18,737	2,335	5,392	701
MAD	56,460	5,152	47,297	4,216
TND	3,849	<u>2,412</u>	3,266	<u>1,997</u>
		<u><u>1,596,064</u></u>		<u><u>1,464,560</u></u>

The loans expressed in foreign currencies were converted to euros based on the exchange rate at the balance sheet date.

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

Rating

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

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Control of the subsidiary companies

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

At 30 June 2005 and 2004 the comfort letters provided by the holding and other subsidiary companies totalled 469,072 and 473,072 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 include commitments to maintain the following financial ratios:

- Net debt / EBITDA
- EBITDA / (Financial expenses – less financial income)

At 30 June 2005 and 2004 these ratios were within the commitments established.

Negative pledge

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

Cross Default

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

16. Financial instruments

Under the risk management policy of the Cimpor Group, a wide range of derivative financial instruments have been contracted to hedge interest and exchange rate risk.

The Group contracts such instruments after evaluating the risks to which its assets and liabilities are exposed and assessing which instruments available in the market are the most adequate to hedge the risks.

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These instruments are subject to prior approval by the Executive Committee and are permanently monitored by the Financial Operations Area. Several indicators relating to the instruments are periodically determined, namely market value and sensitivity of both the projected cash flows and market value to changes in key variables, with the aim of assessing their financial effect.

The recognition of financial instruments and its classification as instruments held for hedging or trading purposes, is based on the instructions of IAS 39.

Hedge accounting is applicable to financial derivative instruments that are effective as regards the elimination of variations in the fair value or cash flows of the underlying assets/liabilities. The effectiveness of such operations is verified on a regular quarterly basis. Hedge accounting covers three types of operations:

- Fair value hedging
- Cash flow hedging
- Net investment hedging in foreign entities

Fair value hedging instruments are financial derivative instruments that hedge exchange rate and/or interest rate risk. Changes in the fair value of such instruments are reflected in the statement of profit and loss. The underlying asset/liability is also valued at fair value as regards the part corresponding to the risk that is being hedged, the respective changes being reflected in the statement of profit and loss.

Cash flow hedging instruments are financial derivative instruments that hedge the exchange rate risk on future purchases and sales of certain assets as well as cash flows subject to interest rate risk. The effective part of the changes in fair value of the cash flow hedging instruments is recognised in shareholders' equity, while the non effective part is reflected immediately in the statement of profit and loss.

Instruments hedging net investment in foreign entities are exchange rate financial derivative instruments that hedge the effect, on shareholders' equity, of the risks on translation of the financial statements of foreign entities. Changes in the fair value of these hedging operations are recorded in the shareholders' equity caption "Hedging adjustments" until the hedged investment is sold or liquidated.

Instruments held for trading purposes are financial derivative instruments contracted in accordance with the Group's risk management policies but where hedge accounting is not applicable, because they were not formally designated for that purpose or because they are not effective hedging instruments in accordance with the requirements of IAS 39.

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Fair value of financial instruments

As of 30 June 2005 and 31 December 2004, the fair value of derivative financial instruments were as follows:

	Other non-current assets		Other current liabilities		Other non-current liabilities	
	2005	2004	2005	2004	2005	2004
Fair value hedges						
Exchange rate and interest swaps	-	-	-	-	37,302	83,313
Cash flow hedges						
Interest rate swaps	-	-	-	-	2,731	1,622
Investment hedges						
Exchange forwards	-	-	-	8,172	-	-
Trading						
Exchange rate derivatives	56	7,300	1,537	-	1,877	-
Interest rate derivatives	-	-	-	-	62,006	54,867
	<u>56</u>	<u>7,300</u>	<u>1,537</u>	<u>8,172</u>	<u>103,916</u>	<u>139,802</u>

17. Provisions and impairment losses

During the six months periods ended 30 June 2005 and 2004 the movement in the provision account balances was as follows:

	2005				
	Provisions for tax and other contingencies	Provision for recovering quarries	Provision for employee benefits	Other provisions for risks and charges	Total
As at 1 January 2005	98,917	32,309	19,671	12,219	163,117
Changes in the consolidation perimeter	-	-	-	91	91
Foreign currency translation adjustments	2,029	3,031	(57)	552	5,555
Increases	4,687	742	1,860	2,149	9,438
Decreases	(8)	(419)	(423)	(3,474)	(4,324)
Transfers	-	-	-	795	795
As at 30 June 2005	<u>105,626</u>	<u>35,663</u>	<u>21,051</u>	<u>12,331</u>	<u>174,672</u>
	2004				
	Provisions for tax and other contingencies	Provision for recovering quarries	Provision for employee benefits	Other provisions for risks and charges	Total
As at 1 January 2004	90,353	5,066	16,397	16,134	127,949
Adjustments to conform with IFRS	-	27,758	1,843	(2,454)	27,147
As at 1 January 2004 according with IFRS	90,353	32,823	18,240	13,680	155,096
Foreign currency translation adjustments	264	(205)	114	47	220
Increases	8,307	201	5,523	1,318	15,349
Decreases	-	(640)	(537)	(2,436)	(3,613)
As at 30 June 2004	<u>98,924</u>	<u>32,180</u>	<u>23,340</u>	<u>12,608</u>	<u>167,052</u>

18. Subsequent events

The more significant events that occurred after 30 June 2005 are described in the Directors' Consolidated Report.

19. Financial statements approval

These financial statements were approved and its emission authorized by the board on 30 September 2005.

20. Application of International Financial Reporting Standards

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20.1. Rules in adoption of IFRS

As established in IFRS 1, Cimpor has prepared an opening balance sheet on the transition date – 1 January 2004 – in accordance with the IFRS.

As a general principle, IFRS 1 establishes that Cimpor's accounting policies, in accordance with the IFRS in force, must be applied retrospectively and that the corresponding adjustments on the transition date must be recorded in retained earnings.

Among the various exceptions to that principle, set forth in IFRS 1, the most significant exceptions applied by Cimpor were as follows:

Business combinations and Goodwill

Cimpor decided to apply IFRS 3, with effects spanning back to 1 January 1999. Consequently, Goodwill amortisation after that date was annulled and the respective amounts, in the various applicable cases since then, were subject to annual impairment tests.

Additionally, differences in negative consolidation (Badwill) on the transition date were recognised in Retained earnings.

The effects of changes in foreign exchange rates

Currency exchange differences generated in the meantime were regarded as null on the transition date and therefore, any previous differences prior to the transition will be excluded when determining gains or losses resulting from any posterior disposals of the operating units in question. On the other hand, Goodwill generated in corporate concentration processes after the IFRS 3 was applied was denominated in the currency of the acquired entities and, consequently, subject to exchange rate fluctuations.

Tangible fixed assets

Although Cimpor applied the cost value as the valuation criteria for its tangible fixed assets, on the transition date Cimpor re-valuated some of the said assets related with the cement business, whereby that new amount is now called a deemed cost.

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20.2. Main differences between IFRS and PGAAP

Intangible assets

Portuguese accounting standards allow companies to capitalise some expenses that, according to the International Financial Reporting Standards, must be immediately recognised as costs in the year. This aspect is applicable, in particular, to expenses associated with capital increase processes, quality certification projects or environmental impact studies which, according to criteria set forth in IAS 38, cannot be recognised as assets. On the transition date, the amounts for those items, net of accumulated amortisation, that do not meet the recognition criteria of IAS 38 were annulled and compensated by an entry in Retained earnings.

Depreciation policy for tangible fixed assets

Some of the assets previously depreciated by decreasing depreciation method will be depreciated by the linear method. Moreover, contrary to annual depreciation allocations in the year when the assets were acquired or placed in operation, the respective depreciation will start at the beginning of the month in which they are ready for use.

Costs of recovering quarries

In accordance with Portuguese accounting standards, Cimpor had a policy of progressively recovering space freed by quarries. It enters these costs in the respective year of expenditure and sets up provisions whenever the respective funds are thought to be insufficient for the said recovery.

According to IFRIC 1, total recovery costs must be added to the asset's value, compensated by setting up a provision (periodically updated), and recognised by depreciating the asset in question.

Minority interests

According to IAS 1 – Presentation of Financial Statements, Minority interests will be presented as part of Shareholder's equity.

Employee bonuses and share purchase options plans

Following the usual practice in Portugal, after approval at the General Meeting, Bonuses attributed as distributed results have been recorded as negative variation in Shareholder's equity in the year in which they are actually paid. According to IAS 19, these bonuses must now be recognised as results in the year in which the respective services were rendered.

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According to Portugal's accounting standards, results arising from share purchase option plans (since Cimpor has a portfolio of own shares sufficient to meet those plans) have been recorded in a Reserve heading. Within the terms of IFRS 2, liabilities arising from options allocated prior to the transition date, but not yet carried out on that date, must be revaluated at their fair value by a corresponding entry in Retained earnings. The options after this period will be entered at their fair value as costs in the year.

Extraordinary costs and income

International Financial Reporting Standards do not cover extraordinary results.

20.3. Impacts

Impacts on the balance sheet as of 1 January 2004, as a result of transition from Portuguese General Accepted Accounting Principles ("PGAAP") to IFRS in force as from 1 January 2005, could be demonstrated as follows:

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	PGAAP	Adjustments	IFRS
Non-current assets:			
Goodwill	813,621	(18,622)	794,999
Intangible assets	7,046	(3,709)	3,337
Fixed assets	1,193,557	212,802	1,406,359
Interests in associates	148,451	(15,033)	133,418
Other investments	15,481	(1,954)	13,527
Available for sale investments	59,226	-	59,226
Deferred taxes	105,132	4,238	109,370
Accounts receivable-other	31,419	(785)	30,634
Tax receivable	2,237	-	2,237
Other non-current assets	5,476	(5,476)	-
Total non-current assets	<u>2,381,645</u>	<u>171,462</u>	<u>2,553,107</u>
Current assets:			
Inventories	135,327	-	135,327
Accounts receivable-trade	218,229	-	218,229
Accounts receivable-other	38,024	(1,168)	36,856
Tax receivable	21,313	-	21,313
Cash and cash equivalents	292,735	-	292,735
Other current assets	1,899	(674)	1,225
Total current assets	<u>707,527</u>	<u>(1,842)</u>	<u>705,684</u>
Total assets	<u>3,089,172</u>	<u>169,620</u>	<u>3,258,791</u>
Shareholder's equity:			
Share capital	672,000	-	672,000
Own shares	(17,403)	-	(17,403)
Cumulative foreign currency translation adjustments	(419,734)	419,734	-
Reserves	241,081	72	241,153
Retained earnings	298,759	(363,664)	(64,905)
Net income	185,883	-	185,883
Equity before minority interests	<u>960,586</u>	<u>56,142</u>	<u>1,016,728</u>
Minority interests	78,329	(16,817)	61,512
Total shareholder's equity	<u>1,038,915</u>	<u>39,325</u>	<u>1,078,240</u>
Non-current liabilities:			
Loans	1,197,811	(31,592)	1,166,219
Finance leases	953	-	953
Deferred taxes	82,430	31,530	113,960
Employee benefits	12,226	1,843	14,070
Provisions	106,115	26,973	133,087
Accounts payable-others	14,686	-	14,686
Tax payable	170	-	170
Other non-current liabilities	34,616	101,360	135,975
Total non-current liabilities	<u>1,449,006</u>	<u>130,114</u>	<u>1,579,120</u>
Current liabilities:			
Accounts payable-trade	131,309	-	131,309
Tax payable	32,783	-	32,783
Finance leases	955	-	955
Loans	333,601	-	333,601
Employee benefits	4,171	-	4,171
Provisions	5,438	(1,669)	3,769
Accounts payable-others	72,265	-	72,265
Other current liabilities	20,728	1,850	22,578
Total current liabilities	<u>601,251</u>	<u>181</u>	<u>601,432</u>
Total liabilities	<u>2,050,257</u>	<u>130,295</u>	<u>2,180,552</u>
Total liabilities and shareholder's equity	<u>3,089,172</u>	<u>169,620</u>	<u>3,258,792</u>

CIMPOR – CIMENTOS DE PORTUGAL, SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese– Note 21)

The reconciliation between PGAAP and IFRS of the shareholders' equity as of 1 January 2004, is as follows:

Equity - PGAAP	<u>960,586</u>
Transition adjustments:	
Business combinations and goodwill	223,580
Effects of changes in foreign exchange rates	(258,394)
Tangible fixed assets	201,118
Intangible assets	(3,528)
Bonuses and share purchase option plans	(1,850)
IAS 39 adoption impact	(76,873)
Others	(621)
Deferred taxes - Transition adjustments impact	(27,291)
Minoritary interest	61,512
	<u>117,654</u>
Equity - IFRS	<u><u>1,078,240</u></u>

CIMPOR – CIMENTOS DE PORTUGAL, SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese– Note 21)

The reconciliation between PGAAP and IFRS of the shareholders' equity as of 30 June 2004 and 31 December 2004, as well the reconciliation of the net income for the periods ending on those dates, is as follows:

Equity - PGAAP	<u>882,557</u>
Transition adjustments:	117,654
Income adjustments for the period:	
Business combinations and goodwill	33,228
Tangible fixed assets	6,600
Intangible assets	(1,594)
Fixed assets amortisation policies	4,313
Bonuses and share purchase option plans	(2,679)
Others	646
Deferred taxes - Income adjustments impact	(1,507)
Minoritary interest	<u>(538)</u>
	38,469
Reserves and retained earnings adjustments for the year:	
IAS 39 adoption impact	49,838
Bonuses and share purchase option plans	2,383
Reserve effect in foreign exchange rates	2,093
Others	(1,647)
Minoritary interest	<u>(2,433)</u>
	50,234
Total adjustments for the period	<u>88,703</u>
Equity - IFRS	<u><u>1,088,914</u></u>

CIMPOR – CIMENTOS DE PORTUGAL, SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese– Note 21)

Equity - PGAAP	<u>970,352</u>
Transition adjustments:	117,654
Income adjustments for the year:	
Business combinations and goodwill	66,532
Tangible fixed assets	12,991
Intangible assets	(2,445)
Fixed assets amortisation policies	3,165
Bonuses and share purchase option plans	(3,566)
Others	2,079
Deferred taxes - Income adjustments impact	(6,912)
Minoritary interest	(3,140)
	<u>68,704</u>
Reserves and retained earnings adjustments for the year:	
Business combinations and goodwill	5,374
Reserve effect in foreign exchange rates	12,446
IAS 39 adoption impact	49,838
Others	1,487
Minoritary interest	1,884
	<u>71,030</u>
Total adjustments for the year	<u>139,735</u>
Equity - IFRS	<u><u>1,227,741</u></u>

- (a) Cimpor Group adopted IAS 39 on the year ended 2004, as from 1 January 2004. The presented impact, was included on consolidated financial statements prepared in accordance with PGAAP's, although this effect is not included on the balance sheet as of 31 December 2003.

The impacts of the transition to IFRS effective on 1 January 2005, in the balance sheet as of 31 December 2004, are as follows:

CIMPOR – CIMENTOS DE PORTUGAL, SGPS, S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese– Note 21)

	PGAAP	Adjustments	IFRS
Non-current assets:			
Goodwill	781,420	46,701	828,122
Intangible assets	18,300	(4,078)	14,222
Fixed assets	1,217,543	233,483	1,451,026
Interests in associates	268,395	(1,990)	266,405
Other investments	16,158	(7,495)	8,663
Available for sale investments	52,334	-	52,334
Deferred taxes	121,772	(20,340)	101,433
Accounts receivable-other	2,320	(785)	1,535
Tax receivable	2,677	-	2,677
Other non-current assets	4,499	(4,499)	-
Total non-current assets	<u>2,485,420</u>	<u>240,998</u>	<u>2,726,418</u>
Current assets:			
Inventories	153,111	-	153,111
Accounts receivable-trade	232,533	-	232,533
Accounts receivable-other	21,547	(1,184)	20,363
Tax receivable	32,669	-	32,669
Cash and cash equivalents	239,455	-	239,455
Other current assets	9,748	(565)	9,182
Total current assets	<u>689,061</u>	<u>(1,750)</u>	<u>687,312</u>
Total assets	<u>3,174,481</u>	<u>239,248</u>	<u>3,413,729</u>
Shareholder's equity:			
Share capital	672,000	-	672,000
Own shares	(15,534)	-	(15,534)
Cumulative foreign currency translation adjustments	(423,531)	432,180	8,649
Reserves	240,785	2,021	242,806
Retained earnings	310,724	(308,914)	1,810
Net income	185,909	68,705	254,614
Equity before minority interests	<u>970,352</u>	<u>193,992</u>	<u>1,164,344</u>
Minority interests	76,315	(12,919)	63,397
Total shareholder's equity	<u>1,046,668</u>	<u>181,073</u>	<u>1,227,741</u>
Non-current liabilities:			
Loans	1,312,772	(4,499)	1,308,273
Finance leases	2,299	-	2,299
Deferred taxes	69,584	42,717	112,301
Employee benefits	18,337	660	18,997
Provisions	115,385	25,865	141,250
Accounts payable-others	13,550	-	13,550
Tax payable	3,912	-	3,912
Other non-current liabilities	155,682	(661)	155,021
Total non-current liabilities	<u>1,691,521</u>	<u>64,082</u>	<u>1,755,603</u>
Current liabilities:			
Accounts payable-trade	146,176	-	146,176
Tax payable	29,723	-	29,723
Finance leases	1,574	-	1,574
Loans	156,287	-	156,287
Employee benefits	674	-	674
Provisions	10,603	(8,407)	2,196
Accounts payable-others	45,804	-	45,804
Other current liabilities	45,453	2,500	47,952
Total current liabilities	<u>436,293</u>	<u>(5,907)</u>	<u>430,385</u>
Total liabilities	<u>2,127,814</u>	<u>58,175</u>	<u>2,185,988</u>
Total liabilities and shareholder's equity	<u>3,174,481</u>	<u>239,248</u>	<u>3,413,729</u>

CIMPOR – CIMENTOS DE PORTUGAL, SGPS, S.A.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2005**

(Amounts stated in thousands of euros)

(Translation of notes originally issued in Portuguese– Note 21)

21. Note added for translation

The accompanying financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies the Portuguese language version prevails.

**LIMITED REVIEW REPORT ON THE HALF YEAR CONSOLIDATED FINANCIAL
INFORMATION PREPARED BY AN AUDITOR REGISTERED IN THE SECURITIES
MARKET COMMISSION (COMISSÃO DO MERCADO DE VALORES
MOBILIÁRIOS)**

Introduction

1. For the purposes of article 246 of the Securities Market Code (Código dos Valores Mobiliários) we hereby present our limited review report on the consolidated financial information of Cimpor – Cimentos de Portugal, SGPS, S.A. (“the Company”) for the half year ended 30 June 2005 included in the: Directors’ Report, consolidated balance sheet that reflects a total of 3,693,586 thousand Euros and shareholders’ equity of 1,394,573 thousand Euros, including consolidated net profit of 120,401 thousand Euros and consolidated statement of profit and loss by nature and consolidated statement of cash flows and statement of changes in shareholders’ equity for the half year then ended and in the corresponding footnote disclosures.
2. The amounts in the financial statements, as well as that of the additional financial information, were extracted from the accounting records of the Company, adjusted subsequently with the amounts, not yet recorded, which were reviewed by us.

Responsibilities

3. The Company’s Board of Directors is responsible for: (i) the preparation of consolidated financial information that presents a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations, changes in shareholders’ equity and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with International Financial Reporting Standards endorsed by the European Union (“IAS/IFRS”) and that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code; (iii) the adoption of adequate accounting policies and criteria; (iv) the maintenance of an appropriate system of internal control; and (v) informing any significant facts that have influenced their operations, financial position or results.
4. Our responsibility is to verify the financial information contained in the documents of account referred to above, namely if, in all material respects, it is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code, and issue a professional and independent report which provides moderate assurance on that information, based on our work.

Scope

5. Our work had the objective of obtaining moderate assurance about whether the financial information referred to above is exempt from material errors. Our work was performed in accordance with the Technical Review/Audit Standards (“Normas Técnicas e as Directrizes de Revisão/Auditoria”) issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”), was planned in accordance with that objective and consisted principally of enquiries and analytical procedures to review: (i) the reliability of the disclosures included in the financial information; (ii) the adequacy of the accounting policies adopted, taking into consideration the circumstances and their consistent application; (iii) the applicability of the going concern concept; (iv) the presentation of the financial information; and (v) if, in all material respects, the financial information is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code.
6. Our work also included verifying the consistency of the consolidated financial information included in the Directors’ Report with the remaining documents referred to above.
7. We believe that our work provides a reasonable basis for issuing this limited review report on the half year information.

Opinion

8. Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information for the half year ended 30 June 2005 is not exempt from material errors that affect its conformity with International Financial Reporting Standards endorsed by the European Union and that, in accordance with the definitions included in the standards referred to in paragraph 5 above, it is not complete, true, up-to-date, clear, objective and licit.

Emphasis

9. As mentioned in note 2 to the consolidated financial statements, the Company adopted for the first time in 2005, the IAS/IFRS in the preparation of its consolidated financial statements. In the transition process from the Portuguese generally accepted accounting principles (“POC”), previously adopted, to IAS/IFRS, the Company follows the provisions of IFRS 1 – First Time Adoption of International Financial Reporting Standards, considering 1 January 2004 as the transition date. As a result, financial information as at that date and for the year ended 31 December 2004, previously presented in accordance with POC, has been restated in accordance with IAS/IFRS for comparative purposes. The consolidated financial statements as of 30 June 2005 were prepared considering the provisions of IAS 34 – Interim Financial Statements and in note 20 to the consolidated financial statements, additional information on the transition process to IAS/IFRS is included.

Lisbon, 30 September 2005