# Financial statements as at December 31, 2005

# Directors' report on operations

In accordance with Consob Regulation No. 11971/1999, as amended by resolution No. 14990 of 2005, the present financial statements for the year 2005 were prepared adopting international financial reporting standards (IFRS); therefore the accounting and consolidation principles present differences compared to previous reports. For comparative purposes, the data of the previous year were re-elaborated using the same accounting standards (IFRS) and classified in accordance with the criteria adopted as at December 31, 2005.

## Results

| (Euro thousands) | Jan- Dec 2005 | Jan- Dec 2004 | Change % |
|---|---|---|---|
| **NET REVENUES FROM SALES AND SERVICES** | **857,389** | **395,118** | **117.00** |
| OTHER REVENUES | 16,671 | 6,130 | 171.96 |
| RAW MATERIALS COSTS | (333,431) | (156,705) | 112.78 |
| SERVICES | (220,141) | (84,216) | 161.40 |
| PERSONNEL COSTS | (120,979) | (47,950) | 152.30 |
| OTHER OPERATING COSTS | (15,078) | (16,232) | (7.11) |
| **EBITDA** | **184,431** | **96,145** | **91.83** |
| *EBITDA/SALES %* | *21,51* | *24,33* | |
| AMORTISATION, DEPRECIATION & PROVISIONS | (65,182) | (36,469) | 78.73 |
| **EBIT** | **119,249** | **59,676** | **99.83** |
| *EBIT/SALES %* | *13,91* | *15,10* | |
| **FINANCIAL RESULT** | **(4,298)** | **32,593** | |
| **PRE-TAX RESULT** | **114,951** | **92,269** | **24.58** |
| INCOME TAXES FOR THE YEAR | 793 | (24,279) | |
| **NET PROFIT** | **115,744** | **67,990** | **70.24** |
| PROFIT OF MINORITY INTEREST | (6,347) | (375) | |
| **GROUP NET PROFIT** | **109,397** | **67,615** | **61.79** |

## Balance sheet

| (Euro thousands) | Jan-Dec 2005 | Jan-Dec 2004 | Change % |
|---|---|---|---|
| TOTAL NON-CURRENT ASSETS | 1,262,667 | 1,080,006 | 16.91 |
| TOTAL CURRENT ASSETS | 407,905 | 296,191 | 37.72 |
| TOTAL ASSETS | 1,670,572 | 1,376,197 | 21.39 |
| TOTAL SHAREHOLDERS' EQUITY | 869,807 | 725,452 | 19.90 |
| NON-CURRENT LIABILITIES AND PROVISIONS | 346,003 | 221,820 | 55.98 |
| CURRENT LIABILITIES AND PROVISIONS | 454,762 | 428,925 | 6.02 |
| TOTAL LIABILIITES | 1,670,572 | 1,376,197 | 21.39 |

## Net financial position

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| CASH AND CASH EQUIVALENTS | 129,969 | 59,974 |
| MEDIUM/LONG-TERM DEBT | (252,085) | (105,657) |
| SHORT-TERM FINANCIAL PAYABLES | (281,423) | (252,966) |
| **NET FINANCIAL POSITION** | **(403,539)** | **(298,649)** |

As 2005 is the first year since the acquisition of the Danish companies Aalborg Portland and Unicon, the results are not comparable with those of the previous year. Therefore, the results for the year are reported below, up to the operating result, excluding the results of the Danish companies. Similarly, the results for 2004 are reported excluding the effects of the acquisition for comparative purposes, as the previous year only included the Danish company's results for the final two months of the year. It should be noted that at that date the pro-forma results were published in accordance with reporting regulations.

## Results at parity of consolidation areas

| (Euro thousands) | Jan - Dec 2005 | Jan - Dec 2004 | Change % |
|---|---|---|---|
| **NET REVENUES FROM SALES AND SERVICES** | **346,690** | **320,380** | **8.21** |
| OTHER OPERATING REVENUES | 3,853 | 3,722 | 3.52 |
| RAW MATERIALS COSTS | (155,763) | (129,515) | 20.27 |
| SERVICES | (73,417) | (62,969) | 16.59 |
| PERSONNEL COSTS | (39,535) | (34,471) | 14.69 |
| OTHER OPERATING COSTS | (3,877) | (14,673) | (73.58) |
| **EBITDA** | **77,951** | **82,474** | **(5.48)** |
| *EBITDA/SALES %* | *22.48* | *25.74* | |
| AMORTISATION, DEPRECIATION AND PROVISIONS | (29,710) | (29,345) | 1.24 |

| | | | |
|---|---|---|---|
| **EBIT** | **48.241** | **53.129** | **(9.20)** |
| *EBIT/SALES %* | *13.91* | *16.58* | |

## Directors' Report and significant events

The year 2005 represents the most important year in the internationalisation process of Cementir which began in 2001 with the acquisition of Cimentas and continued in 2004 with the acquisition of the Danish companies Aalborg Portland and Unicon. The end of 2005 also saw the awarding and the relative commencement of the factory at Edirne, which has permitted a further strengthening in Turkey - a country which is recording growth in line with the best expectations.
The Cementir Group, after investments in acquisitions of Euro 1 billion in the past four years, has maintained an extremely strong financial position and balance sheet: the net equity to debt ratio is lower than 0.5 and, in the absence of further changes in the consolidation scope, the forecast cash flow should permit a net financial position close to zero by 2009.
At the end of the year, the results are more than representative of the dimensional increase in size: the turnover has increased by 117% and the Ebitda by 92% compared to 2004. The Italian market, which up until 2001 accounted for 100% of turnover, now only accounts for 20% of the Group's turnover.
The performance of the companies acquired has fully confirmed expectations, not only in terms of company performance, but also based on the high level of know-how gained that has enriched the Group. The internationalisation of the Group has seen growth more than proportional to the increase in its size, especially in the addition of companies with a long tradition in the industry, which has provided the Group with a high level of experience and knowledge of the markets, making the Group a global player with a worldwide leadership in the white cement sector.
On the operations front, the exchange of information between Group companies for the purposes of research and better utilisation of the plants is noteworthy, with particular emphasis on the development of common policies on themes such as energy savings. The integration activity through the implementation of a common IT platform (SAP) is proceeding in accordance with plans. By the end of 2006, Aalborg Portland should be equipped with the same systems already present in Italy and Turkey.
The awarding to Cimentas of an international tender for the acquisition of the cement factory at Edirne, located in the European part of Turkey on the border with Bulgaria and Greece, is among the most noteworthy events in the year. The transaction, which occurred at the end of December after the approval by the Antitrust Authority, resulted in an investment of USD 166.5 million and represents another important step in the internationalisation process which commenced in 2001. The acquisition increased the production capacity of the Group in Turkey to approximately 4 million tonnes annually.
The signing of an agreement by Unicon for the acquisition of 4K-Beton, a company operating in the production and sale of ready-mix cement, was another important event in the year. The agreement made with the Mexican multinational Cemex provides for the simultaneous sale by Unicon of two companies in Poland also operating in the ready-mix sector and its derivatives. The closing of the operation took place on March 2, 2006, following the approval by the relevant authorities. The difference in the price, to be paid by Unicon, was fixed at Euro 9.5 million. 4K-Beton is the second largest ready-mix producer in Denmark after Unicon. It employs approximately 200 personnel, operates 18 factories, and in 2005 recorded a turnover of Euro 53.9 million and an Ebitda of Euro 4.1 million. Through this acquisition, the Group has significantly strengthened its presence in the ready-mix market in the Scandinavian countries and can achieve significant synergies and growth opportunities in northern Europe.
The two operations described above, which both occurred in the final months of the year, were certainly the most important of 2005 and the accumulation of the work carried out throughout the year. Among the other important events in the year were the acquisition of the company

Vianini Pipe Inc., the outsourcing of transportation by Unicon (180 vehicles and 220 drivers) through the creation of a company with a 50% holding, the increase of the cement production capacity of the factory at Izmir by approximately 500,000 tonnes by Cimentas and finally, the incorporation by Aalborg Portland of a company in Russia for the distribution of white cement.

## Research and development activities

The Group undertakes research and development activities through the research centres of Cementir (at Spoleto, PG) and of Aalborg Portland (at Aalborg).
Cementir's Research Centre's activities are concentrated on the research and study of cement and ready-mix concrete, product quality control and raw materials and combustibles used in the production process.
In addition, Aalborg Portland considers research as a fundamental premise in achieving its objectives. The innovations, at strategic and application level, are realised through the Research and Development Centre, in co-operation with scientists and architects of international renown. The principal objectives are that of optimising the efficiency of the processes and the quality of the cement at the factories, working on environmental issues and developing a market for their products.
The current efforts are prevalently concentrated on the development of innovative processes and products which will reduce the $CO_2$ emissions in the cement production cycle. In relation to this, in recent years there has been a greater substitution of fossil fuel with neutral biological fuel in order to reduce $CO_2$ emissions. In addition, through joint studies with the university scientific department, the Aalborg Research Centre is involved in the documentation of the positive environmental properties of cement, such as the capacity to absorb $CO_2$ and to preserve heat for energy saving.
The studies on the colouring of cement undertaken by the Research Centres has permitted the use of white cement in large infrastructures, as it has been demonstrated that the original exterior aspect of this cement remains unaltered over the years.
The subsidiary CemMiljo, a company operating in the production of alternative fuels, works in close collaboration with the Research and Development Centres in Aalborg. The raw materials used by the company are from industrial and household waste. The fuel from the production process of CemMiljo is used as replacement for coal and petcoke in the ovens for the baking of clinker at the Aalborg factory. Feasibility studies are currently ongoing, in order to verify the possibility to use this type of fuel for other Group plants.

## Treasury Shares

At December 31, 2005, the Group does not hold any treasury shares.
At December 31, 2005, the parent company Cementir and its subsidiaries did not hold, either directly or indirectly, shares or quotas in holding companies, nor have they purchased or sold such shares or quotas in the year.

## Transactions with related parties

With reference to the Cementir group, the transactions with related parties concerned:
- the parent company Caltagirone S.p.A. and its subsidiaries;
- the associated companies;
- other related parties.

The transactions undertaken by the companies of the Group with related parties refer to normal operations and are at market conditions. There are no atypical or unusual transactions which are not within the normal business operations. In the case of the contrary, significant detailed information would be provided in the present paragraph concerning atypical operations.
The companies of the Cementir group also undertake transactions with the Caltagirone group and with companies under common control. All of the transactions with related parties are at normal market conditions.

In relation to companies under common control, the acquisition of 99.9% of the share capital of the American company Vianini Pipe Inc., a company operating in the production of cement, was among such transactions during the year. The operation was carried out by the subsidiary Unicon, which acquired Vianini Pipe Inc. from Vianini Industria S.p.A., for a total value of Euro 12,000 thousand. At December 31, 2005, Unicon had a financial payable of Euro 9,000 thousand, relating to the residual balance due to Vianini Industria on the above operation. The contractual conditions provides for payments in tranches until July 2008, with the charging of interest at normal market rates. The acquisition permitted the group to strengthen its presence in the United States, where the Group already operates through subsidiary companies.

The most significant financial transactions and balances are shown below:

| | December 31, 2005 | | 2005 | | December 31, 2004 | | 2004 | |
|---|---|---|---|---|---|---|---|---|
| | Receivables | Payables | Income | Charges | Receivables | Payables | Income | Charges |
| **Holding company** | | | | | | | | |
| **Subsidiary companies** | | | | | | | | |
| **Associated companies** | | | | | | | | |
| **Companies under common control** | 1,626 | 9,000 | 51 | 166 | | | 1,080 | |
| **Total** | **1,626** | **9,000** | **51** | **166** | | | **1,080** | |

The most significant commercial transactions and balances are shown below:

| | December 31, 2005 | | 2005 | | December 31, 2004 | | 2004 | |
|---|---|---|---|---|---|---|---|---|
| | Receivables | Payables | Revenues | Costs | Receivables | Payables | Revenues | Costs |
| **Holding company** | | 1 | | 1 | | | | |
| **Subsidiary companies** | | | | | | | | |
| **Associated companies** | 3,423 | | 19,413 | | 2,518 | | 2,862 | |
| **Companies under common control** | 1,264 | 175 | 1,646 | 1,673 | 1,063 | 968 | 1,151 | 397 |
| **Total** | **4,687** | **176** | **21,059** | **1,674** | **3,581** | **968** | **4,013** | **397** |

The revenues from associated companies relate to the sale of finished and semi-finished products (cement and clinker) at normal market conditions. In relation to commercial transactions with companies under common control, the Cementir group traditionally sells cement to companies belonging to the Caltagirone group. In 2005, Cementir sold a total of 18,903 tonnes of cement at market conditions (15,304 tonnes to Vianini Lavori and 3,599 tonnes to Vianini Industria). Services of a various nature and rental of the headquarters in Corso Francia, Rome are included in the costs of transactions with companies under common control.

## Subsequent events

On March 2, 2006 the purchase was completed of 4K-Beton, the second-largest cement producer in Denmark, by the subsidiary Unicon. Simultaneously, in accordance with the agreement signed in December, Unicon sold two companies in Poland to the Cemex Group, also operating in ready-mix and its derivatives. The value of the operation fixed a difference to be paid of Euro 9.5 million to the Cemex Group. Both 4K-Beton and the two Polish companies which were sold had net financial positions equal to zero in the closing phase in line with the agreements.
Also in March, Aalborg Portland increased its holding in the Egyptian company Sinai White Portland Cement Company, from 45.74% to 57.14%. The investment amounted to Euro 6.6 million and significantly strengthens the presence of the Group in Egypt, where it has considerable strategic importance.
There were no other significant events to report after the balance sheet date.

## Outlook for operations

The macro economic indicators of the principal markets of the Group are positive. Denmark and Italy are expected to benefit from a recovery in Europe, while Turkey continues to record sustained growth supported by monetary stability. In particular, Turkey is today seen as a country capable of attracting capital, and consequently industrial investment. The success of the international bids for the acquisition of the cement factories last year is the clearest indication of this.
These considerations, combined with the acquisitions between the end of 2005 and the beginning of 2006 should result in further growth for the Group, in relation to both sales and margins.

***CEMENTIR GROUP***

**Consolidated balance sheet**

| (Euro thousands) | Note | Dec. 31, 2005 | Dec. 31, 2004 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible fixed assets | **1** | 474,847 | 366,890 |
| Property, plant and equipment | **2** | 695,982 | 618,069 |
| Investment property | **3** | 23,000 | 23,000 |
| Investments valued at equity | **4** | 25,267 | 19,716 |
| Other investments | **5** | 2,563 | 2,555 |
| Non-current financial assets | **6** | 379 | 611 |
| Deferred tax assets | **19** | 40,496 | 49,046 |
| Other non-current assets | | 133 | 119 |
| **TOTAL NON-CURRENT ASSETS** | | **1,262,667** | **1,080,006** |
| **CURRENT ASSETS** | | | |
| Inventories | **7** | 95,410 | 79,744 |
| Trade receivables | **8** | 168,047 | 140,683 |
| Equity investments and current securities | | - | 1,706 |
| Current financial assets | **9** | 87,926 | 2,216 |
| Current tax assets | | 6,379 | 5,073 |
| Other current assets | **10** | 8,393 | 8,501 |
| Cash and cash equivalents | **11** | 41,750 | 58,269 |
| **TOTAL CURRENT ASSETS** | | **407,905** | **296,191** |
| **TOTAL ASSETS** | | **1,670,572** | **1,376,197** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | **12** | 159,120 | 159,120 |
| Share premium reserve | **12** | 22,710 | 15,052 |
| Other reserves | **12** | 542,827 | 456,063 |
| Group net profit | **12** | 109,397 | 67,616 |
| **GROUP SHAREHOLDERS' EQUITY** | | **834,054** | **697,851** |
| Net profit of minority interest | **12** | 6,347 | 375 |
| Minority interest reserves | **12** | 29,406 | 27,226 |
| **MINORITY INTEREST - SHAREHOLDERS' EQUITY** | | **35,753** | **27,601** |
| **TOTAL SHAREHOLDERS' EQUITY** | | **869,807** | **725,452** |
| **LIABILITIES** | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefit provisions | **13** | 16,296 | 14,818 |
| Non current provisions | **14** | 11,608 | 10,220 |
| Non-current financial liabilities | **16** | 252,085 | 105,131 |
| Deferred tax liabilities | **19** | 68,015 | 89,880 |
| Other non-current liabilities | | - | 1,771 |
| **TOTAL NON-CURRENT LIABILITIES** | | **348,004** | **221,820** |
| **CURRENT LIABILITIES** | | | |
| Current provisions | **14** | 1,235 | 704 |
| Trade payables | **15** | 134,226 | 120,061 |
| Current financial liabilities | **16** | 281,423 | 254,442 |
| Liabilities for current taxes | **17** | 4,946 | 4,941 |
| Other current liabilities | **18** | 30,931 | 48,777 |
| **TOTAL CURRENT LIABILITIES** | | **452,761** | **428,925** |
| **TOTAL LIABILITIES** | | **800,765** | **650,745** |
| **TOTAL SHAREHOLDERS' EQUITY & LIABILITIES** | | **1,670,572** | **1,376,197** |

## *CEMENTIR GROUP*

| Consolidated income statement | | | |
|---|---|---|---|
| (Euro thousands) | **Note** | **2005** | **2004** |
| **REVENUES** | **20** | **857,780** | **391.264** |
| Change in inventories | | (391) | 3,854 |
| Increases for internal work | | 1,495 | 900 |
| Other operating revenues | **21** | 15,176 | 5,230 |
| **TOTAL OPERATING REVENUES** | | **874,060** | **401,248** |
| Raw material costs | **22** | (333,431) | (156,705) |
| Personnel costs | **23** | (120,979) | (47,950) |
| Other operating charges | **24** | (235,219) | (100,448) |
| **TOTAL OPERATING COSTS** | | **(689,629)** | **(305,103)** |
| **EBITDA** | | **184,431** | **96,145** |
| Amortisation, depreciation, write-downs and provisions | **25** | (65,182) | (36,469) |
| **EBIT** | | **119,249** | **59,676** |
| Net share of associates under equity method | **26** | 5,545 | 1,041 |
| Net financial result | **26** | (9,843) | 31,552 |
| **NET FINANCIAL RESULT AND VALUING INVESTMENTS UNDER EQUITY METHOD** | | **(4,298)** | **32,593** |
| **PRE-TAX RESULT** | | **114,951** | **92,269** |
| Income taxes | **27** | 793 | (24,278) |
| **NET PROFIT FOR THE YEAR** | | **115,744** | **67,991** |
| Net profit of minority interest | | 6,347 | 375 |
| **GROUP NET PROFIT** | **28** | **109,397** | **67,616** |

## *CEMENTIR GROUP*

### Statement of change in consolidated shareholders' equity

| | | | | | | Other reserves | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (Euro thousands) | **Share Capital** | **Treasury shares** | **Share premium reserve** | Legal reserve | Extraordinary reserve | Reserve for own shares in portfolio | Reserve for treasury shares | Translation reserve | Other reserve | **Retained earnings (accumulated losses)** | **Group net profit for the year** | **Group shareholders' equity** | **Net profit of minority interest** | **Minority interest reserves** | **Minority interest shareholders' equity** | **Total Shareholders' Equity** |
| **Net equity at January 1, 2004** | **159,120** | **(7,115)** | **22,711** | **7,859** | **1,737** | **7,115** | **5,885** | **(44,828)** | **407,747** | **-** | **60,243** | **620,474** | **118** | **5,250** | **5,368** | **625,842** |
| Allocation of the 2003 net result | | | | | | | | | 60,243 | | (60,243) | - | (118) | 118 | - | **-** |
| Dividends distributed 2003 | | | (7,659) | | (1,737) | | | | | | | (9,396) | | | | **(9,396)** |
| Sale of treasury shares | | | | | | (7,115) | 7,115 | | | | | - | | | | **-** |
| *Consolidation reserve* | | | | | | | | | | | 25,855 | 25,855 | | | | **25,855** |
| *Intangible fixed assets* | | | | | | | | (3,995) | 2,203 | | 6,812 | 5,020 | | | | **5,020** |
| *Property, plant and equipment* | | | | | | | | | | | (7,395) | (7,395) | | | | **(7,395)** |
| *Financial instruments: Investments* | | | | | | | | | | | (38,392) | (38,392) | | | | **(38,392)** |
| *Financial instruments: treasury shares* | | 7,115 | | | | | | | 2,423 | | (2,423) | 7,115 | | | | **7,115** |
| *Inventories at FIFO* | | | | | | | | | | | 1,807 | 1,807 | | | | **1,807** |
| *Other IFRS effects* | | | | | | | | | (2,178) | | 2,569 | 391 | 85 | | 85 | **476** |
| Changes in other reserves | | | | | | | | | 17,902 | | | 21,897 | | 22,048 | 22,048 | **43,945** |
| Change in translation reserves | | | | | | | | (4,313) | | | | (8,308) | | (190) | (190) | **(8,498)** |
| Result for the year | | | | | | | | | | | 78,783 | 78,783 | 290 | | 290 | **79,073** |
| **Net equity at December 31, 2004** | **159,120** | **-** | **15,052** | **7,859** | **-** | **-** | **13,000** | **(53,136)** | **488,340** | **-** | **67,616** | **697,851** | **375** | **27,226** | **27,601** | **725,452** |
| Allocation of the 2004 net result | | | 7,658 | 23,966 | | | | | 35,992 | | (67,616) | - | (375) | 375 | - | **-** |
| Dividends distributed 2004 | | | | | | | | | (11,138) | | | (11,138) | | | | **(11,138)** |
| *Intangible fixed assets* | | | | | | | | 16,782 | 1,111 | | | 17,893 | | | | **17,893** |
| *Property, plant and equipment* | | | | | | | | | (952) | | | (952) | | | | **(952)** |
| *Inventories at FIFO* | | | | | | | | | (1,348) | | | (1,348) | | | | **(1,348)** |
| *Other IFRS effects* | | | | | | | | | 568 | | | 568 | | | | **568** |
| Changes in other reserves | | | | | | | | | (817) | | | (817) | | (865) | (865) | **(1,682)** |
| Change in translation reserve | | | | | | | | 22,600 | | | | 22,600 | | 2,670 | 2,670 | **25,270** |
| Result for the year | | | | | | | | | | | 109,397 | 109,397 | 6,347 | | 6,347 | **115,744** |
| **Net equity at December 31, 2004** | **159,120** | **-** | **22,710** | **31,825** | **-** | **-** | **13,000** | **(13,754)** | **511,756** | **-** | **109,397** | **834,054** | **6,347** | **29,406** | **35,753** | **869,807** |

***CEMENTIR GROUP***

| **Consolidated cash flow statement** | | |
|---|---|---|
| (Euro thousands) | **2005** | **2004** |
| **Net result for the year** | **115,744** | **67,991** |
| Amortisation & depreciation | 63,087 | 33,227 |
| (Revaluations) and write-downs | 1,501 | 586 |
| Net share of associates under equity method | (5,545) | (1,041) |
| Net financial result | 8,764 | (33,674) |
| (Gains) losses on disposals | (3,453) | 1,839 |
| Income taxes | (793) | 24,279 |
| Change in employment benefit provisions | 1,478 | 5,233 |
| Changes in current and non-current provisions | 1,919 | 8,677 |
| *Operating cash flow before working capital changes* | **182,702** | **107,117** |
| (Increase)/Decrease in inventories | (15,667) | (43,392) |
| (Increase)/decrease in trade receivables | (27,739) | (61,140) |
| Increase/(Decrease) in trade payables | 14,165 | 58,415 |
| Change in other current and non-current liabilities | (19,595) | 23,587 |
| Change in deferred and current income taxes | (2,462) | 31,884 |
| *Operating cash flow* | **131,404** | **116,471** |
| Dividends received | - | 1,080 |
| Interest and other income received | 8,405 | 4,987 |
| Interest and other charges paid | (22,265) | (6,825) |
| Income tax paid | (12,154) | (13,192) |
| **Cash flow operating activity (A)** | **105,390** | **102,521** |
| Investments in intangible fixed assets | (108,869) | (253,492) |
| Investments in tangible fixed assets | (149,104) | (354,693) |
| Equity investments and non-current securities | 4,434 | 25,855 |
| Sale of intangible assets | 0 | - |
| Sale of tangible assets | 9,037 | 25,869 |
| Sale of equity investments and non-current securities | 0 | 68,019 |
| (Increase)/Decrease equity investments and current securities | 1,771 | (1,706) |
| Other investment activity changes | 1,743 | (15,398) |
| **Cash flow from investing activities (B)** | **(240,988)** | **(505,546)** |
| Change in non-current financial assets and liabilities | 147,186 | 55,207 |
| Change in current financial assets and liabilities | (58,729) | 225,664 |
| (Purchase) Sale of treasury shares | 0 | 9,538 |
| Dividends distributed | (12,801) | (9,396) |
| Other net equity changes | 39,382 | (8,308) |
| **Cash flow from financing activity (C)** | **115,038** | **272,705** |
| **Effect exch. differences on cash and cash equivalents (D)** | **4,041** | **(946)** |
| **Net changes in cash and cash equivalents (A+B+C+D)** | **(16,519)** | **(131,266)** |
| **Cash and cash equivalents at the beginning of the year** | **58,269** | **189,535** |
| **Cash and cash equivalents at the end of the year** | **41,750** | **58,269** |

# Explanatory notes

## General Information

Cementir S.p.A. (Parent Company) is a limited liability company with its registered office at Rome (Italy), Corso Francia No. 200.
The shareholders with holdings above 2% of the share capital (as per the shareholder registry), the communications received in accordance with article 120 of Legislative Decree No. 58 of February 24, 1998 and other information available are:
1) Calt 2004 Srl, 47,860,813 shares (30.078%)
2) Lav 2004 Srl, 40,543,880 shares (25.480%)
3) Pantheon 2000 Spa, 4,466,928 shares (2.807%)
4) Caltagirone Francesco, 4,394,244 shares (2.762%)
5) Artisan partners Limited Partnership, 3,211,562 (2.018%)
6) Artisan International Value Fund, 3,190,103 shares (2.005%)

The consolidated financial statements at December 31, 2005 of the Cementir group were approved by the Board of Directors on March 16, 2006.
The consolidated income statements for 2005 and 2004 at parity of consolidation are provided below, excluding the Danish group Aalborg Portland, acquired in October 2004:

***CEMENTIR GROUP***

| **Consolidated income statement at parity of consolidation area (*)** | | |
|---|---|---|
| (Euro thousands) | **2005** | **2004** |
| **REVENUES** | **345,835** | **321.413** |
| Change in inventories | 855 | (1,033) |
| Increases for internal work | 87 | 733 |
| Other operating revenues | 3,766 | 2,988 |
| **TOTAL OPERATING REVENUES** | **350,543** | **324,101** |
| Raw material costs | (155,763) | (129,515) |
| Personnel costs | (39,535) | (34,471) |
| Other operating charges | (77,294) | (77,641) |
| **TOTAL OPERATING COSTS** | **(272,592)** | **(241,627)** |
| **EBITDA** | **77,951** | **82,474** |
| Amortisation, depreciation, write-downs and provisions | (29,710) | (29,345) |
| **EBIT** | **48,241** | **53,129** |
| **NET FINANCIAL RESULT AND NET SHARE OF ASSOCIATES UNDER EQUITY METHOD** | **55** | **8,737** |
| **PRE-TAX RESULT** | **48,296** | **61,866** |
| Income taxes | (18,009) | (22,275) |
| **NET PROFIT FOR THE YEAR** | **30,287** | **39,591** |
| Net profit of minority interest | 495 | 199 |
| **GROUP NET PROFIT** | **29,792** | **39,392** |

## Accounting regulations

The European Regulation (EU) No. 1606 of July 19, 2002 introduced the obligation, from the year 2005, to apply international accounting standards (International Accounting Standards – IAS or International Financial Reporting Standards – IFRS) issued by the International Accounting Standards Board (IASB), for the preparation of the consolidated financial statements of companies listed on regulated European markets. The term IFRS includes all of the International Financial Reporting Standards (IFRS), all of the International Accounting Standards ("IAS") and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") previously called the Standing Interpretations Committee ("SIC") approved by the European Commission.
In accordance with the above-mentioned European Regulation, on February 20, 2005 Legislative Decree No 38 was enacted in Italy, extending the requirements to prepare the statutory financial statements from 2006, and the right to apply the standards also to those companies not indicated in the regulation in question.

In accordance with the new regulations, the present consolidated financial statements for the year ended December 31, 2005 of the Cementir Group are the first to be prepared in accordance with international accounting standards and the relative Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), and of the Standing Interpretations Committee (SIC), approved by the European Commission (hereinafter "IFRS")

The adoption of the international accounting standards were made in accordance with the provisions contained in the IFRS 1 – First-time adoption of the International Financial Reporting Standards.
The principal options contained in IFRS 1 and utilised in the opening balance sheet are the following:
- Business Combinations: the Group did not apply IFRS 3 in retrospective manner to the acquisition of companies before the transition date to IFRS;
- Measurement of property, plant and machinery and of intangible assets at fair value at the transition date or, alternatively, at revalued cost as replacement value of the cost: The Group has recorded some fixed assets at fair value at the transition date to IFRS.

In order to illustrate the effects of the transition to international accounting standards on the balance sheet, financial position and results of the Group, reference should be made to the Appendix attached prepared in accordance with article 82 bis, letter b) 1 and 2 of Consob Regulation No. 11971/1999, which has already been presented in the consolidated half-year report at June 30, 2005.

The parent company Cementir S.p.A., in accordance with current regulations, has opted to prepare the financial statements at December 31, 2005 in accordance with Italian GAAP. The financial statements for 2006 will be prepared in accordance with IFRS.

## Presentation criteria

The consolidated financial statements at December 31, 2005, presented in Euro and expressed in thousands (except where otherwise indicated) comprises of the balance sheet, income statement, statement of change in shareholders' equity, cash flow statement and the present explanatory notes.
In relation to the presentation of the consolidated financial statements, the Group has opted for the following options:

- the balance sheet reports the current and non-current assets and the current and non-current liabilities separately;
- the income statement items are classified based on their nature;
- the cash flow statement is presented using the indirect method.

*Change of accounting standards*

The accounting policies and valuation criteria previously used by the Cementir group for the preparation of the consolidated financial statements relating to the year ended December 31, 2004 were prepared in accordance with Italian GAAP, as interpreted and integrated, where necessary, by the Accounting Standards issued by the Italian Accounting Profession (Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri) and through the interpretation document OIC 1 "The principal effects of the Corporate Law Reform on the preparation of financial statements", prepared by the Italian Accounting Organisation (Organismo Italiano di Contabilità).
In the consolidated financial statements at December 31, 2005, the accounting policies and valuation criteria used, reported below, are in accordance with those adopted in the preparation of the transition schedules to IFRS at January 1, 2004 and December 31, 2004 and were applied on a uniform basis for all of the periods presented, with the exception of IAS 32 and 39, relating to the classification and measurement of financial instruments.
The Group in fact availed of the exemptions permitted by IFRS 1 relating to the first-time adoption of IFRS, to apply these standards from January 1, 2005, without reporting the comparative information of the previous year. Therefore, in accordance with IFRS 1, the Italian GAAP were adopted for the financial instruments in the opening balance sheet at January 1, 2004 and the closing balance sheet at December 31, 2004 and in the income statement for the year 2004.
The effect of the application of the above-mentioned standards, however, would not have been significant.

## Consolidation principles

*Subsidiary companies*

The consolidation scope includes the parent company Cementir S.p.A. and the companies in which it exercises direct or indirect control. This control is exercised either due to direct or indirect shareholdings of the majority of the voting rights, or through the exercise of a dominant influence which is expressed by the power to determine, including indirectly based on contractual or legal agreements, the financial and operating choices of the company and thus obtaining the relative benefits, without reference to the actual holding in the company. The existence of potential exercisable voting rights at the balance sheet date is considered in order to determine control.
The companies are consolidated from the date in which control occurs until the moment in which this control terminates. The financial statements used for the consolidation were prepared at December 31, and are normally those prepared and approved by the Board of Directors of the individual companies, appropriately adjusted, where necessary, in accordance with the uniform accounting principles of the parent company.

*Associated companies*

The associated companies (the companies in which the Group exercises a significant influence but does not control - or the entities that jointly control - the financial and operating policies) are valued under the net equity method (the book value initially recorded at cost and subsequently increased or decreased to record the share of the result in the associate). The profits and losses pertaining to the Group are recorded in the consolidated income statement at the date when the significant influence begins and until the date when it terminates.
Where the loss pertaining to the Group exceeds the book value of the investment, the value is written down to zero and, where the holding is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the excess is recorded in a specific provision.

*Consolidation procedure*

The assets and liabilities, and the income and charges, of the companies consolidated under the global integration method are fully included in the consolidated financial statements.
The business combinations in which the control of a company/entity is acquired are recorded applying the purchase method, where the assets and liabilities acquired are initially measured at their current value at the acquisition date. The difference between the purchase cost and the current value of the assets and liabilities acquired, if positive, are allocated to the account "Goodwill", and if negative are recorded in the income statement. The acquisition cost is based on the fair value, at the purchase date, of assets sold, of liabilities incurred and of capital instruments issued, and any other accessory charges.
The share of net equity and result for the year relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.
All infragroup balances and transactions, including any non realised gains from third parties deriving from transactions between Group companies, are eliminated net of their relative fiscal effect, if significant.
The gains and losses not realised from third parties, generated through transactions with associated companies are eliminated for the part pertaining to the Group. The losses not realised are eliminated except when they represent a permanent impairment in value.

*Consolidation scope*

The companies included in the consolidation area are as follows:

| Company | Registered offices | Year end | Share Capital (Euro 000) | % held |
|---|---|---|---|---|
| Cementir S.p.A. | Rome (Italy) | 31/12/2005 | 159,120 | Parent Com. |
| Cementir Delta S.p.A. | Rome (Italy) | 31/12/2005 | 38,218 | 99.99 |
| Intercem S.A. | Luxembourg (Lux.) | 30/11/2005 | 100 | 100 |
| Calcestruzzi Picciolini S.p.A. | Rome (Italy) | 31/10/2005 | 104 | 99.88 |
| Cem 2004 S.r.l. | Rome (Italy) | 31/12/2005 | 10 | 100 |
| Cementir Espana S.L. | Madrid (Spain) | 31/12/2005 | 3 | 100 |
| Cimentas | Izmir (Turkey) | 31/12/2005 | 19,782 | 97.10 |
| Cimbeton | Izmir (Turkey) | 31/12/2005 | 1,112 | 84.74 |
| Kars Cimento | Kars (Turkey) | 31/12/2005 | 628 | 100 |
| Bakircay | Izmir (Turkey) | 31/12/2005 | 264 | 97.86 |
| Yapitek | Izmir (Turkey) | 31/12/2005 | 31 | 100 |
| Destek | Izmir (Turkey) | 31/12/2005 | 31 | 100 |
| Alfacem S.r.l. | Rome (Italy) | 31/12/2005 | 1,010 | 100 |
| Globocem S.L. | Madrid (Spain) | 31/12/2005 | 3 | 100 |
| Aalborg Portland A/S | Aalborg (Denmark) | 31/12/2005 | 40,212 | 100 |
| Aalborg Portland Island HF | Kopavogur (Iceland) | 31/12/2005 | 4,063 | 100 |
| CemMiljo A/S | Aalborg (Denmark) | 31/12/2005 | 146 | 100 |
| Aalborg Portland Polska Spzoo | Warszawa (Poland) | 31/12/2005 | 26 | 100 |
| Aalborg Portland US Inc | Dover (USA) | 31/12/2005 | 7,027 | 100 |
| Aalborg Cement Company Inc | Dover (USA) | 31/12/2005 | 1 | 100 |
| Aalborg Portland White A/S | Aalborg (Denmark) | 31/12/2005 | 536 | 100 |
| Sinai White Portland Cement Company | Giza (Egypt) | 31/12/2005 | 25,111 | (*) 45 |

| | | | | | |
|---|---|---|---|---|---|
| Aalborg Portland White China A/S | Aalborg (Denmark) | 31/12/2005 | 1,273 | | 70 |
| Aalborg White Anqing Co Ltd | Anqing (China) | 31/12/2005 | 5,213 | | 70 |
| Aalborg White Asia Sdn Bhd | Perak (Malaysia) | 31/12/2005 | 21,397 | | 70 |
| Aalborg White Inc. | Manila (The Phillipines) | 31/12/2005 | 130 | | 70 |
| Aalborg White Cement Pty Ltd | Sydney (Australia) | 31/12/2005 | 1 | | 70 |
| Skim Coat Industries Sdn Bhd | Perak (Malaysia) | 31/12/2005 | 93 | | 70 |
| SCI Marketing & Services Sdn Bhd. | Perak (Malaysia) | 31/12/2005 | 8 | | 70 |
| Aalborg Resources Sdn Bhd | Perak (Malaysia) | 31/12/2005 | 492 | | 70 |
| Gaetano Cacciatore Inc. | Somerville N.J.(USA) | 31/12/2005 | 3,391 | | 100 |
| Aalborg White Ltd Liability C. | St. Petersberg (Russia) | 31/12/2005 | 372 | | 70 |
| Unicon A/S | Roskilde (Denmark) | 31/12/2005 | 20,106 | | 100 |
| Unicon AS | Sandvika (Norway) | 31/12/2005 | 1,664 | | 100 |
| A/S Kobenhavns Betonfabrik | Roskilde (Denmark) | 31/12/2005 | 268 | | 100 |
| AB Sydsten | Malmö (Sweden) | 31/12/2005 | 799 | | 50 |
| Ekblads Betong AB | Jönköping (Sweden) | 31/12/2005 | 55 | (**) | 37.5 |
| HB Forserumsten | Växjö (Sweden) | 31/12/2005 | 200 | (**) | 25 |
| AB Sydsten Helsingborg | Helsingborg (Sweden) | 31/12/2005 | 11 | (**) | 37.5 |
| AGAB Syd AB | Malmö (Sweden) | 31/12/2005 | 13 | (**) | 25 |
| Everts Betongpumpning AB | Halmstad (Sweden) | 31/12/2005 | 11 | (**) | 25.5 |
| Skane Grus AB | Malmö (Sweden) | 31/12/2005 | 111 | (**) | 30 |
| JEPA Grus & Container | Malmö (Sweden) | 31/12/2005 | 11 | | 50 |
| Unicon Spzoo | Warsaw (Poland) | 31/12/2005 | 2,591 | | 100 |
| Polish Gravel Industry Spzoo | Warsaw (Poland) | 31/12/2005 | 2,177 | | 100 |
| Vianini Pipe Inc. | Somerville (USA) | 31/12/2005 | 3,800 | | 99.99 |

(*) consolidated based on voting agreements with a minority shareholder of 11%
(**) percentages composed of consolidation of subsidiary companies of AB Sydsten fully consolidated at 50%

The associated companies are as follows:

| **Company** | **Registered offices** | **Year end** | **% held** |
|---|---|---|---|
| Speedybeton S.p.A. | Pomezia - RM (Italy) | 31/12/2005 | 30 |
| Leigh White Cement Company joint venture | Allentown (USA) | 31/12/2005 | 24.50 |
| Aalborg Siam White Cement Pte Ltd | Singapore (Singapore) | 31/12/2005 | 50 |
| Secil Unicon SGPS Lda | Lisbona (Portugal) | 31/12/2005 | 50 |
| Sola Betong AS | Risavika (Norway) | 31/12/2005 | 33.3 |
| Storsand Sandtak AS | Saetre (Norway) | 31/12/2005 | 50 |
| EKOL Unicon Spzoo | Gdansk (Poland) | 31/12/2005 | 49 |
| Skancon A/S | Hinnerup (Denmark) | 31/12/2005 | 50 |

## Accounting principles

*Intangible fixed assets*

An intangible fixed asset is an identifiable non-monetary asset without physical substance and capable of generating future economic benefits. They are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.
On initial recording, the useful life of each intangible asset is determined. When, after an analysis of all significant factors, it is not possible to predict a period in which the cash flows will enter into the Group, the intangible asset is considered to have an indefinite useful life. The estimate of the useful life is reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates.
Intangible assets are eliminated from the financial statements, when the asset is sold or when there are no future expected benefits from their use, and any loss or gain (calculated as the difference between the disposal value and the book value) is recorded in the income statement in the year of the above-mentioned elimination.

Intangible assets with a finite life are recorded net of the relative accumulated amortisation and any loss in value in accordance with the procedures described below. Amortisation begins when the asset is available for use and is recorded on a systematic basis in relation to the residual possibility of use and thus over the useful life of the asset. Amortisation is calculated from the moment the asset is available for use and for the period of its use in the year.

Intangible assets with an indefinite life are those activities for which, on the basis of analysis of all of the important factors, there is no foreseeable limit to the period in which the cash flow generated is limited for the Group. Intangible assets with indefinite useful lives are initially recorded at purchase cost, determined in the same manner as that indicated for other intangible assets, and are not amortised, but undergo an impairment test annually or more frequently, if specific events indicate they may have incurred a loss in value in accordance with the procedures described below. The recovery of their value is verified adopting the same criteria as those utilised for Goodwill. Write-downs are reinstated if the reasons for their write down no longer exist.

In the case of the acquisition of subsidiary or associated companies, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the quota held by the Group of the current value of these assets and liabilities are classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded in the income statement at the moment of the acquisition.
After the initial recording, the goodwill is not amortised, but is subject annually, or more frequently if specific events indicate the possibility to have incurred a loss in value, to determine the existence of any impairment in value, in accordance with the procedures described below. write-downs may not be subsequently restated.

*Property, plant and equipment*

Tangible fixed assets are recorded at cost, including directly allocated accessory costs and necessary for the asset being in the condition for use for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset.
The charges incurred for the maintenance and repairs of an ordinary and/or cyclical nature are directly charged to the income statement in the year in which they are incurred. The capitalisation of the costs relating to the expansion, modernisation or improvement of owned tangible fixed assets or of those held in leasing, is made only when they satisfy the requirements to be separately classified as an asset or part of an asset.
Tangible fixed assets are recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight line basis on the estimated useful life of the asset for the company,

that is reviewed on an annual basis and any changes, where necessary, are recorded in accordance with future estimates; the main depreciation rates used are the following:

| | **Useful life tangible assets** |
|---|---|
| Quarry | Excavated/ to be excavated |
| Production plants | 10-20 years |
| Other plant (non production) | |
| - Industrial buildings | 18-20 years |
| - Light constructions | 10 years |
| - General or specific plant | 8 years |
| - Other equipment | 4 years |
| - Transport vehicles | 5 years |
| - Office machines and equipment | 5 years |

It should be noted that the above intervals, which indicate the minimum and maximum limits, reflect the presence of different useful lives of components in the same category of assets.
Land, both constructible and relating to civil and industrial buildings, is not depreciated in that it has an unlimited useful life.
When the asset to be depreciated is composed of separately identifiable elements whose useful life differs significantly from the other parts of the asset, the depreciation is made separately for each part of the asset, with the application of the "component approach" principle.
At the moment of the sale or when no expected future economic benefits exist from the use of a tangible asset, it is eliminated from the financial statements and any loss or gain (calculated as difference between the sales value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

*Investment property*

Investment property is measured at market value and are not depreciated.  The changes in value are recognised in the income statement.

*Loss in value*

At each period end, the book value of intangible and tangible fixed assets is reviewed for the existence of events or changes which indicate that the book value may not be recovered. If an indication of this type exists, their recoverable value must be determined and, in the case in which the book value exceeds the recoverable value, these assets are written down to reflect their recoverable value. Goodwill and other indefinite intangible assets are, however, estimated at each balance sheet date or, in any case when there is a change in circumstances or specific events that require this.
The recoverable value of intangible and tangible fixed assets is the higher between the fair value less costs to sell and its value in use, where the value in use refers to the current value of estimated future cash flows of the asset or, for assets that do not independently generate sufficient cash flows, of the group of assets that comprise the cash-generating unit to which the asset belongs.
In defining the value of use, the expected future cash flows are discounted utilising a pre-tax discount rate that reflects the current market estimates referring to the cost of money over time and the specific risks of the activity.
A reduction in value is recognised in the income statement when the carrying value of the asset, or of the relative cash-generating unit to which it is allocated, is higher than the recoverable value. When the reasons for a write-down no longer exist on tangible and intangible assets other than goodwill, the book value of the asset is restated through the income statement, up to the value at which the asset would be recorded if no write-down had taken place and amortisation had been recorded.
When the reduction in value deriving from the test is higher than the value of the asset subject to the test allocated to the cash-generating unit to which belongs, the residual amount is

allocated to the assets including the cash-generating unit in proportion to their carrying value. This allocation has as its minimum limit, the highest value between:

- the relative fair value of the asset less costs to sell;
- the relative value in use, as defined above;
- zero.

The losses in value are recorded in the income statement under the account amortisation, depreciation and write down costs.

*Inventories*

Raw materials, semi-finished and finished products are valued at the lower of cost and market value. The purchase cost is calculated using the FIFO method.

*Financial Instruments*

*Financial assets*

The financial assets are classified, on initial recognition, in one of the following categories and measured as follows:

- *financial assets measured at fair value with changes recognised in the income statement:* this category (investments in other companies) includes the financial assets acquired principally for sale in the short-term, those designated at fair value recognised in the income statement at the acquisition date and derivative instruments. For the determination of the fair value of financial instruments listed on active markets, the relative market quotation is used at the balance sheet date. In the absence of an active market, the fair value is determined with reference to prices provided by external operators and utilising valuation models, which are principally based on financial variables, as well as taking into account the prices recorded in recent transactions and the quotations of similar financial instruments. The fair value changes of the instruments belonging to this category are recognised in the income statement. When the fair value cannot be determined reliably, the cost value is maintained, adjusted against losses in value. These losses for reduction in value may not be restated. The financial instruments in this category are classified as short-term if they are "held for trading" or if it is expected that they will be sold within 12 months from the balance sheet date. The derivatives are treated as assets if the fair value is positive, and as liabilities if the fair value is negative. The Group compensates the current positive and negative values deriving from operations in place with the same counterparty, when such compensation is permitted contractually;
- *loans and receivables:* they are financial instruments, principally relating to trade receivables, non-derivative, not listed on an active market, from which fixed or determinable payments are expected. They are classified as current assets (when the due date is within the normal commercial terms) except for amounts due beyond 12 months from the balance sheet date, which are classified as non-current assets. These assets are measured at amortised cost, on the basis of the effective interest rate (identified as their nominal value). When there is an indication of a reduction in value, the asset is reduced to the value of the discounted future cash flows obtainable. The losses in value are recognised in the income statement. When in subsequent periods the reasons for the write-down no longer exist, the value of the assets is restated up to the value deriving from the application of the amortised cost where no write-down had been applied.

Financial assets are derecognised from the balance sheet when the right to receive the cash flows from the instrument ceases and the Group has transferred all the risks and rewards relating to the instrument and the relative control.

*Financial liabilities*

Financial liabilities relate to loans, trade payables and other commitments, and are measured at amortised cost using the effective interest rate. When there is a change in the expected cash flows and it is possible to estimate them reliably, the value of the loans are recalculated to reflect this change based on the new current value of the expected cash flows and of the internal yield initially determined.

The financial liabilities are classified under current liabilities, except when the Group has an unconditional right to defer their payment for at least 12 months after the balance sheet date. Financial liabilities are derecognised from the balance sheet when they expire and the Group has transferred all the risks and rewards relating to the instrument.

*Derivative financial instruments*

The Group uses derivative financial instruments, such as forward currency contracts and currency options, to hedge against risks deriving from currency fluctuations.
These derivative financial instruments are measured and recorded at fair value. The operations which satisfy the requirements for hedge accounting are classified as hedging operations, while all other operations, including those for the management of risks, are designated as for trading. Therefore, as a consequence of the omission (at the subscription date) of some of the formal requisites required by IFRS, the changes in the fair value relating to these derivative instrument operations are recognised in the income statement.

*Cash and cash equivalents*

Cash and cash equivalents include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses.
For the purposes of the consolidated cash flow statement, cash and cash equivalents are recorded net of bank overdrafts at the balance sheet date.

*Shareholders' equity*

*Share capital*

Share capital is the amount of the subscribed and paid-in capital of the Parent Company. The costs strictly related to the issue of new shares are classified, net of any deferred fiscal effect, in a separate reserve as a reduction of net equity.

*Treasury Shares*

Treasury shares are recorded as a reduction of shareholders' equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recorded as net equity movements.

*Employee benefits*

The liabilities relating to the benefits recognised to employees and paid on or after the termination of employment and relating to defined benefit programmes (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recorded on an accruals basis over the maturity period of the right. The valuations of the liabilities are made by independent actuaries.
The defined benefit plans, which include employee leaving indemnities in accordance with article 2120 of the Civil Code, are based on the period of employment service and on the remuneration received by each employee over a predetermined period of employment. In particular, the liability relating to employment leaving indemnity is recorded in the financial statements based on the current actuarial value, as qualifying as a benefit due to employees based on a defined benefit plan. The recording in the financial statements of a defined benefit plan requires an estimate of the value of the services maturity by employees for their employment service in current and previous years through actuarial techniques and the discounting of these services in order to determine the current value of Group commitments. The determination of the current value of the Group commitments is made by an independent expert using the projected unit credit method. This method, which relates to the so-called "matured benefits" techniques, considers each period of service by employees at the company

as a source of an additional unit of right to benefits and separately measures each unit in order to calculate the final commitment: the actuarial liability must therefore be quantified on the basis of the years matured at the measurement date. Therefore, the total liability is calculated based on the ratio between the service years matured at the measurement date and the total number of years at the expected settlement of the benefit. In addition, this method considers future increases in remuneration, of whatever nature (inflation, merit, contractual renewals etc), up to the termination of employment.
The employee leaving indemnity matured in the year is recorded in the income statement under personnel costs.
The principal actuarial assumptions applied in the calculation of the employee leaving indemnity are indicated below:

| | **2005** | **2004** |
|---|---|---|
| Discount rate | 3.3% - 6% - 5.5% | 3.3% - 5% - 5.4% |
| Future salary increases | 1.9% - 3% | 1.9% - 3% |

The discounting was calculated using the IRS curve corresponding to the duration of the period under examination (50 years).
The actuarial gains and losses, defined as the differences between the carrying value of the liabilities and the current value of the Group commitments at the end of the period, due to the change in the actuarial parameters described above, are fully recorded in the income statement.

*Provision for risks and charges*

Provisions for risks and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.
Provisions for risks and charges are recorded when, at the balance sheet date, a legal or implicit obligation exists that derives from a past event and a payment of resources is a probable requirement to satisfy the obligation, and the amount of this payment can be estimated. When the financial effect of the time is significant and the payment dates of the obligations can be reasonably estimated, the provision shall be discounted; the increase of the provision due to the passing of time is recorded as a financial charge. If the liability relates to a tangible fixed asset (example reclamation of sites), the counterparty of the provision is recorded under the asset to which it refers; the recording of the charge to the income statement is made through the process of depreciation of the tangible fixed asset to which the charge refers to.

*Grants*

The grants from public entities and private third parties are recorded at fair value when there is reasonable certainty that they will be received and that they will satisfy the conditions for their attainment.
The grants correlated to the acquisition or production of fixed assets (capital grants) are recorded either as a direct reduction of the fixed asset or under other liabilities and credited to the income statement in relation to the useful life of the asset to which it refers.
The operating grants are fully recorded to the income statement at the moment in which they satisfy the conditions for their recording.

*Revenues*

Revenues are recorded in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. The revenues are recorded at the fair value of the amount received less VAT, returns, premiums and discounts.
In particular, the revenues from the sale of goods are recorded when the significant risks and benefits of the ownership of the assets are transferred to the purchaser. Revenues for services

are recorded when the services are provided, with reference to the stage of completion of the activities.

*Interest*

Financial income and charges are recorded in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities utilising the effective interest rate, therefore utilising the rate which is financially equivalent to all the cash inflows and outflows which comprise an operation.

*Dividends*

Revenues are recorded when the right of the shareholders to receive the payment is established, which normally corresponds to the shareholders' meeting resolution for their distribution. The distribution of dividends is therefore recorded as a liability in the financial statements in the period in which the distribution is approved by the Shareholders' Meeting.

*Income taxes*

Current income taxes for the year are determined based on an estimate of the taxable assessable income and in accordance with current legislation.
Deferred tax assets and liabilities are calculated on temporary differences between the values in the consolidated financial statements and the corresponding values recognised for taxation purposes applying tax rates which are expected to be applicable in future years when the temporary differences will be realised or reversed.
The recording of deferred tax assets are made when their recovery is probable, that is when it is expected that there will be available future assessable fiscal income sufficient to recover the asset. The recovery of the deferred tax asset is reviewed at each balance sheet date.
Current and deferred income taxes are recorded in the income statement, except those relating to accounts directly credited or debited to equity, in which case the fiscal effect is recognised directly to equity. Current and deferred taxes are compensated when the income tax is applied by the same fiscal authority, there is a legal right of compensation and the payment of the net balance is expected.
Other taxes not related to income, such as taxes on property, are included under operating charges.

*Earnings per share*

(i) Basic: The base earnings per share are calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares.
(ii) Diluted: The diluted earnings per share are calculated by dividing the result of the Group by the weighted average number of ordinary shares outstanding during the year, excluding any treasury shares. In order to calculate the diluted earnings per share, the average weighted number of shares outstanding is adjusted assuming the conversion of all shares with potential dilution effect. The diluted earnings per share are not calculated in the case of losses, as the dilution effect would result in an improvement in the earnings per share.

*Translation criteria of foreign currencies*

The functional currency of Cementir S.p.A. and its subsidiaries in the eurozone is the Euro. The functional currency of the subsidiaries located outside of the eurozone is the relevant local currency. The presentation currency of the Cementir Group consolidation is the Euro.

*Foreign currency transactions*

All transactions in currencies other than the Euro are recorded at the exchange rate at the date of the transaction.

The monetary assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values translated at the period end exchange rate and the original exchange rate are recorded in the income statement.
The non-monetary assets and liabilities denominated in foreign currencies other than the Euro and recorded at historical cost are translated utilising the exchange rate at the initial date of the recording of the operation.
The non-monetary assets and liabilities recorded at fair value are translated using the exchange rate at the transaction date.

*Translation of the financial statements of foreign subsidiaries*

The financial statements of consolidated companies not included in the eurozone are translated into Euro applying, for the balance sheet, the exchange rate at the period end, and, for the income statement, the average exchange rate in the period. The translation differences deriving from the adjustment of opening shareholders' equity to the exchange rates at the end of the period and the differences deriving from the different methods used for the translation of the result are recorded in equity in a separate reserve.
On the disposal of a foreign subsidiary, the accumulated translation differences recorded in the separate equity account will be recognised in the income statement.
In accordance with IFRS 1, the cumulative translation differences on the first-time adoption of IFRS are reclassified in the equity account "retained earnings" and, therefore, are not recognised in the income statement on the subsequent disposal of the investment.

## Management of financial risks

The Group is exposed to foreign exchange and interest rate risks in its operations. Derivative financial instruments are used to reduce these risks. The Group is also exposed, but not at particularly significant levels, to credit risks, as described in the following paragraph.

*Credit risk*

The Group does not have significant credit risks. The operating procedures permit a control of the risk connected to the receivable, limiting the sales of products and/or services to clients without an adequate level of credit lines or guarantees. The credit risk is also mitigated by the fact that there are no significant amounts concentrated in single positions, as there is a significant amount of customers and the sales are well distributed.

*Foreign currency risks*

The Group companies, operating at an international level, are structurally exposed to exchange risks for financial flows deriving from operating activities and loans in currencies other than the functional currency. The principal exposure derives from the purchases of solid fuel and clinker in US Dollars and from cement and clinker exports in US Dollars. Other exposures within the Group relate to UK Sterling, the Polish Zloty and the Iceland crown, all deriving from exports to these countries. The principal exposures for loans in foreign currencies compared to the local currencies are in Turkey, against the US Dollar and the Euro. Against these exchange risks the Group evaluates the overall hedging nature of these cash flows and loans, undertaking forward currency exchange purchases and sales contracts, as well as foreign currency call and put options. The derivative financial instrument operations are for hedging purposes.

*Interest rate risk*

The Group has a net debt financial position and is therefore exposed to an interest rate fluctuation risk. The repayment date for the majority of the loans is within the next three years and the interest rates are variable, based on the cash generation forecasts by the companies. The risk of change in interest rates is considered to be limited due to the short-term nature of the payables, and in consideration of the fact that the loans are almost exclusively in Euro, the Danish Crown and US Dollars, which have a very flat short-term interest rate curve. The risk connected to structured operations, at present only marginal, is managed through determining the separation of the objectives of these operations between fixed and variable.

## Use of estimates

The preparation of the consolidated financial statements require the Directors to apply accounting principles and methods that, in some circumstances, are based on difficult and subjective valuations and estimates based on the historical experience and assumptions which are from time to time considered reasonable and realistic based on the relative circumstances. The application of these estimates and assumptions impact upon the amounts reported in the financial statements, such as the balance sheet, the income statement and the cash flow statement, and on the disclosures in the notes to the accounts. The final outcome of the accounts in the financial statements which use the above-mentioned estimates and assumptions may differ from those reported in the financial statements due to the uncertainty which characterises the assumptions and the conditions upon which the estimates are based.

## Important accounting standards

The accounting standards and accounts in the financial statements which require greater subjectivity by the directors in the preparation of the estimates and for which a change in the underlying conditions of the assumptions used may have a significant impact on the consolidated financial statements of the Group are as follows:

- *Intangible assets with indefinite life;*
- *Write-down of tangible fixed assets;*
- *Amortisation of tangible fixed assets;* depreciation of tangible fixed assets

constitute a significant cost for the Group. The cost of property, plant and machinery is depreciated on a straight-line basis on the estimated useful life of the asset. The useful life of the fixed assets of the Group is determined by the directors when the fixed assets are purchased. This is based on the historical experiences for similar fixed assets, market conditions and considerations relating to future events which could have an impact on the useful life, such as changes in technology. Therefore, the effective useful life may be different from the estimated useful life. The Group periodically evaluates technological and sector changes, dismantlement charges and the recovery value to update the residual useful life. This periodic update could result in a change in the depreciation period and therefore the depreciation charge in future years.

The estimates and assumptions are reviewed periodically and the effects of each change are recognised in the income statement.

## Segment information

The primary segment information of the Group is by geographical area, while the secondary segment information is by business segment.
The geographic areas in which the Group operates and which constitutes the primary sector information is as follows: Italy, Denmark, the other Scandinavian countries (Norway, Sweden and Iceland), Turkey, Egypt, the Far East (Malaysia and China) and the rest of the world (Luxembourg, Spain, Portugal, Poland, Russia and the USA).
The Group's management and organisation structure principally reflects the primary geographic segment.
The Group’s business activities which constitute the secondary segment information are as follows:

- the activities related to the production and sale of cement/clinker;
- the activities relating to construction materials: ready-mix concrete and aggregates;
- other activities: transport, cement pipes, alternative fuel and fuel distribution.

The operating activities are organised and managed by country and by type of activity. The geographic segments of the Group are comprised of the fixed activities of the individual entities resident and operating in identified regions. The cement/clinker activity provides a part of its production to the ready-mix segment.
The transactions for the exchange of goods and services between the segments are regulated at normal market conditions.

*Primary Segment*

The following table shows the revenues and results of the geographic segment for the year ended December 31, 2005:

| (Euro thousands) | **Revenues** | *Intra-segment revenues* | *Revenues from grants* | **Segment result (EBITDA)** | **Result of companies valued at Equity** |
|---|---|---|---|---|---|
| **Italy** | 203,130 | 1,160 | 201,970 | 37,293 | 255 |
| **Denmark** | 299,958 | 1,932 | 298,026 | 69,201 | (81) |
| **Other Scand. countries** | 159,734 | 5,745 | 153,989 | 21,304 | 408 |
| **Turkey** | 149,950 | 1,377 | 148,573 | 40,679 | |
| **Egypt** | 28,240 | 510 | 27,730 | 10,558 | |
| **Far East** | 12,930 | | 12,930 | 1,899 | |
| **Rest of the world** | 33,536 | 2,694 | 30,842 | 3,497 | 4,963 |
| *(elimination for exch. between countries)* | (13,418) | (13,418) | | | |
| **Total** | **874,060** | **-** | **874,060** | **184,431** | **5,545** |

The following table shows the revenues and results by geographic area for the year ended December 31, 2004:

| (Euro thousands) | **Revenues** | *Intra-segment revenues* | *Revenues from grants* | **Segment result (EBITDA)** | **Result of companies valued at Equity** |
|---|---|---|---|---|---|
| **Italy** | 210,239 | 5,418 | 204,821 | 52,904 | 364 |
| **Denmark** | 45,990 | | 45,990 | 11,158 | |
| **Other Scand. countries** | 21,686 | | 21,686 | 3,790 | 207 |
| **Turkey** | 120,770 | 1,490 | 119,280 | 26,743 | |
| **Egypt** | 3,689 | | 3,689 | 1,269 | |
| **Far East** | 1,666 | | 1,666 | 49 | |
| **Rest of the world** | 4,116 | | 4,116 | 232 | 470 |
| *(elimination for exchange between* | (6,908) | (6,908) | | | |
| **Total** | **401,248** | **-** | **401,248** | **96,145** | **1,041** |

The following table shows the other data of the geographic areas at December 31, 2005:

| (Euro thousands) | Segment assets | Segment liabilities | Tangible and intangible asset investments | Amortisation, depreciation, write-downs and provisions |
|---|---|---|---|---|
| **Italy** | 387,518 | 387,518 | 11,811 | 16,026 |
| **Denmark** | 485,888 | 485,888 | 24,169 | 22,868 |
| **Other Scand. countries** | 113,595 | 113,595 | 8,047 | 6,718 |
| **Turkey** | 445,079 | 445,079 | 157,481 | 13,678 |
| **Egypt** | 57,497 | 57,497 | 1,624 | 1,989 |
| **Far East** | 42,532 | 42,532 | 1,296 | 1,913 |
| **Rest of the world** | 138,463 | 138,463 | 2,252 | 1,990 |
| **Total** | **1,670,572** | **1,670,572** | **206,680** | **65,182** |

The following table shows the other data of the geographic areas at December 31, 2004:

| (Euro thousands) | Segment assets | Segment liabilities | Tangible and intangible asset investments | Amortisation, depreciation, write-downs and provisions |
|---|---|---|---|---|
| **Italy** | 375,821 | 375,821 | 11,710 | 7,291 |
| **Denmark** | 508,833 | 508,833 | 19,379 | 3,856 |
| **Other Scand. countries** | 110,789 | 110,789 | 9,138 | 1,843 |
| **Turkey** | 269,899 | 269,899 | 4,610 | 22,054 |
| **Egypt** | 50,325 | 50,325 | 963 | 330 |
| **Far East** | 36,022 | 36,022 | 435 | 318 |
| **Rest of the world** | 24,508 | 24,508 | 1,734 | 779 |
| **Total** | **1,376,197** | **1,376,197** | **47,969** | **36,469** |

*Secondary Sector*

The following table shows the data of the business segments at December 31, 2005:

| (Euro thousands) | Revenues | Segment assets | Investment in property, plant and equipment & intan. assets |
|---|---|---|---|
| **Cement** | 525,534 | 1,325,922 | 191,554 |
| **Ready-mix** | 316,834 | 215,946 | 14,907 |
| **Other activities** | 31,692 | 128,704 | 219 |
| **TOTAL** | **874,060** | **1,670,572** | **206,677** |

The following table shows the data of the business segments at December 31, 2004:

| (Euro thousands) | **Revenues** | **Segment assets** | **Investment in property, plant and equipment & intan. assets** |
|---|---|---|---|
| **Cement** | 306,851 | 1,108,134 | 35,026 |
| **Ready-mix** | 79,062 | 238,731 | 12,911 |
| **Other activities** | 15,335 | 29,332 | 32 |
| **TOTAL** | **401,248** | **1,376,197** | **47,969** |

The following table shows the revenues from sales to third parties for each of the geographic areas at December 31, 2005:

| (Euro thousands) | **Italy** | **Denmark** | **Other Scand. countries** | **Turkey** | **Egypt** | **Far East** | **Rest of the world** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Revenues by geographic location of the clients** | 201,807 | 195,894 | 164,417 | 127,232 | 18,702 | 20,449 | 129,229 | **857,780** |

## Transactions with related parties

The transactions with related parties are described in the directors' report on operations to which reference should be made.

## Transactions with directors, statutory auditors and management of group companies

During the year, no loans were made to management with strategic responsibilities and the Group had no loans receivable at the balance sheet date from such persons.
The remuneration and the shares held in the Company are reported below:

**Remuneration paid to directors, the general director and statutory auditors**

| (A) | (B) | (C) | (D) | (1) | (2) | (3) | (4) |
|---|---|---|---|---|---|---|---|
| **Name** | **Office held** | **Period of office** | **Expiry of office** | **Emoluments for office in company** | **Non-monetary benefits** | **Bonus and other incentives** | **Other remuneration** |
| Francesco Caltagirone | Chairman of the Board of Directors | Full year | 2005 | | | 3,497 | |
| Luciano Leone | Director | Full year | 2005 | 5 | | | |
| Mario Ciliberto | Director | Full year | 2005 | 1 | | | 1,301 |
| Mario Delfini | Director | Full year | 2005 | 6 | | | |
| Pasquale Alcini | Director | Full year | 2005 | 6 | | | |
| Carlo Carlevaris | Director | Full year | 2005 | 5 | | | |
| Riccardo Nicolini | Managing Director and General Director | Full year | 2005 | 106 | | 68 | 300 |
| Walter Montevecchi | Director | Full year | 2005 | | | | 304 |
| Saverio Caltagirone | Director | Full year | 2005 | 6 | | | 66 |
| Alfio Marchini | Director | Full year | 2005 | 2 | | | |

*(1-2-3-4) - the remuneration includes VAT due and social security contributions*

**Equity holdings of the directors, the general director and the statutory auditors**

| **Name** | **Company** | **Number of shares held at the end of the previous year** | **Number of shares acquired** | **Number of shares sold** | **Number of shares held at the end of the current year** |
|---|---|---|---|---|---|
| Francesco Caltagirone | Cementir S. p. A. | 3,111,162 | 1,283,082 | 0 | 4,394,244 |
| Edoardo Caltagirone | Cementir S. p. A. | 286,000 | 0 | 0 | 286,000 |
| Mario Ciliberto | Cementir S. p. A. | 50,000 | 30,000 | 0 | 80,000 |
| Riccardo Nicolini | Cementir S. p. A. | 0 | 65,124 | 45,124 | 20,000 |
| Carlo Schiavone | Cementir S. p. A. | 5,000 | 0 | 0 | 5,000 |

# Notes to the consolidated financial statements

## *1) Intangible fixed assets*

Intangible fixed assets amount to Euro 474,847 thousand (Euro 366,890 thousand at December 31, 2004) including intangible assets with definite useful lives of Euro 6,129 thousand (Euro 4,082 thousand at December 31, 2004) and intangible assets with indefinite useful lives of Euro 468,718 thousand (Euro 362,808 thousand at December 31, 2004).

*Intangible assets with definite useful life*

At December 31, 2005, the intangible assets with definite useful lives amounted to Euro 6,129 thousand (Euro 4,082 thousand at December 31, 2004). In particular, the industrial patent rights relate to the Danish companies operating in the cement sector and principally for quarry concessions. The other intangible assets refer to costs for the purchase and implementation of an IT system (SAP R3). The amortisation is determined on the basis of future utility.

| (Euro thousands) | **Developm ent costs** | **Concession rights** | **Assets in progress and on account** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|
| **Gross value at January 1, 2004** | **-** | **-** | **-** | **2,014** | **2,014** |
| Increases | - | - | 755 | 196 | 951 |
| Decreases | - | - | - | - | - |
| Change in the consolidation scope | 129 | 5,276 | 175 | 2,708 | 8,288 |
| Translation differences | - | - | - | 72 | 72 |
| **Gross value at December 31, 2004** | **129** | **5,276** | **930** | **4,990** | **11,325** |
| **Amortisation at January 1, 2004** | **-** | **-** | **-** | **1,818** | **1,818** |
| Amortisation | - | - | - | 128 | 128 |
| Decreases | - | - | - | - | - |
| Change in the consolidation scope | 70 | 3,279 | - | 1,889 | 5,238 |
| Translation differences | - | - | - | 59 | 59 |
| **Amortisation at December 31, 2004** | **70** | **3,279** | **-** | **3,894** | **7,243** |
| **Net value at December 31, 2004** | **59** | **1,997** | **930** | **1,096** | **4,082** |

| (Euro thousands) | **Developm ent costs** | **Concession rights** | **Assets in progress and on account** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|
| **Gross value at January 1, 2005** | **129** | **5,276** | **930** | **4,990** | **11,325** |
| Increases | - | 116 | 625 | 675 | 1,416 |
| Decreases | - | (27) | (765) | (1) | (793) |
| Translation differences | 2 | 471 | 17 | 385 | 875 |
| Reclassifications | - | - | | 1,751 | 1,751 |
| **Gross value at December 31, 2005** | **131** | **5,836** | **807** | **7,800** | **14,574** |
| **Amortisation at January 1, 2005** | **70** | **3,279** | **-** | **3,894** | **7,243** |
| Amortisation | 26 | 503 | - | 384 | 913 |
| Decreases | - | - | - | (1) | (1) |
| Translation differences | - | 53 | - | 237 | 290 |
| Reclassifications | - | - | - | - | - |
| **Amortisation at December 31, 2005** | **96** | **3,835** | **-** | **4,514** | **8,445** |
| **Net value at December 31, 2005** | **35** | **2,001** | **807** | **3,286** | **6,129** |

*Intangible assets with indefinite useful life*

The intangible assets with indefinite useful lives are periodically subject to verifications to determine the existence of any reduction in permanent value.
At December 31, 2005, the account amounts to Euro 468,718 thousand (Euro 362,808 thousand at December 31, 2004) and includes the consolidation differences recorded following the acquisition of the Cimentas and Aalborg Portland groups.
The increase in 2005 is due to the recording of goodwill following the acquisition from Cimentas of the Edirne factory in Turkey, in December.

| (Euro thousands) | 2005 Turkey (Cimentas Group) | 2005 Denmark (Aalborg Unicon Group) | 2005 Total | 2004 Turkey (Cimentas Group) | 2004 Denmark (Aalborg Unicon Group) | 2004 Total |
|---|---|---|---|---|---|---|
| **Value at January 1** | **109,612** | **253,196** | **362,808** | **113,607** | **-** | **113,607** |
| Increases | 87,079 | 242 | **87,321** | - | - | **-** |
| Decreases | - | - | **-** | - | - | **-** |
| Write-downs | - | - | **-** | - | - | **-** |
| Change in the consolidation scope | - | - | **-** | - | 253,196 | **253,196** |
| Translation differences | 16,782 | 1,807 | **18,589** | (3,995) | - | **(3,995)** |
| **Value at December 31** | **213,473** | **255,245** | **468,718** | **109,612** | **253,196** | **362,808** |

The Group has made, on the transition to IFRS, the necessary verifications of permanent reduction in value on all of the cash-generating units (CGU) to which the goodwill was attributed.
The verifications were made discounting the expected cash flows of each single CGU or, where available, using the relative market value relating to recent transactions of compatible activities. In relation to expected cash flows, the discount rate was determined for each company where the Group operates in accordance with the WACC method (weighed average cost of capital).
The verifications did not result in the recording of any permanent reduction in value either at December 31, 2005 or for the year 2005.
At the end of 2005, the same verifications were made - which resulted in no reduction in value.
Key assumptions for the determination of the value in use:

| (Euro thousands) | **Turkey (Cimentas Group)** | **Denmark (Aalborg Unicon Group)** |
|---|---|---|
| Ebitda | 40,679 | 106,480 |
| Growth rate | 6% | 1% |
| Discount rate | 14.1% | 9.2% |

These assumptions were used for the analysis made on each individual CGU.

*2) Property, plant and equipment*

At December 31, 2005, property, plant and machinery amounted to Euro 695,982 thousand (Euro 618,069 thousand at December 31, 2004).
On the transition to IFRS, the Group recorded some property, plant and machinery at fair value as the initial cost based on an independent expert’s valuation. The additional disclosures required for each property, plant and machinery are provided below:

| (Euro thousands) | Land and buildings | Quarries | Plant and equipment | Others | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Gross value at January 1, 2004** | **184,165** | **1,244** | **391,014** | **28,762** | **3,791** | **608,976** |
| Increases | 3,312 | | 2,110 | 1,052 | 13,731 | 20,205 |
| Decreases | (32,226) | | (881) | (1,014) | (4) | (34,125) |
| Change in the consolidation scope | 159,888 | 9,210 | 455,097 | 24,967 | 4,472 | 653,634 |
| Translation differences | (3,322) | | (7,049) | (876) | (3) | (11,250) |
| Reclassifications | 14,453 | 1 | 36,031 | 4,424 | (10,168) | 44,741 |
| **Gross value at December 31, 2004** | **326,270** | **10,455** | **876,322** | **57,315** | **11,819** | **1,282,181** |
| **Depreciation at January 1, 2004** | **76,499** | | **187,757** | **23,516** | | **287,772** |
| Depreciation | 4,275 | 38 | 19,773 | 1,388 | | 25,474 |
| Decreases | (6,626) | | (710) | (920) | | (8,256) |
| Change in the consolidation scope | 78,877 | 1,245 | 243,723 | 13,719 | | 337,564 |
| Translation differences | (1,487) | | (5,084) | (726) | | (7,297) |
| Reclassifications | 6,602 | | 18,690 | 3,563 | | 28,855 |
| **Depreciation at December 31, 2004** | **158,140** | **1,283** | **464,149** | **40,540** | **-** | **664,112** |
| **Net value at December 31, 2004** | **168,130** | **9,172** | **412,173** | **16,775** | **11,819** | **618,069** |

| (Euro thousands) | Land and buildings | Quarries | Plant and equipment | Others | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Gross value at January 1, 2005** | **326,270** | **10,455** | **876,322** | **57,315** | **11,819** | **1,282,181** |
| Increases | 14,163 | 773 | 62,331 | 5,208 | 34,108 | 116,583 |
| Decreases | (4,358) | (231) | (25,125) | (1,963) | - | (31,677) |
| Change in the consolidation scope | 6,029 | - | 14,723 | 70 | - | 20,822 |
| Translation differences | 20,124 | | 44,805 | 4,834 | 314 | 70,196 |
| Reclassifications | (3,126) | 1,427 | 31,975 | 627 | (32,654) | (1,751) |
| **Gross value at Dec. 31, 2005** | **359,102** | **12,543** | **1,005,031** | **66,091** | **13,587** | **1,456,354** |
| **Depreciation at January 1, 2005** | **158,140** | **1,283** | **464,149** | **40,540** | **-** | **664,112** |
| Depreciation | 10,380 | 222 | 47,070 | 4,489 | - | 62,161 |
| Decreases | (2,392) | (16) | (18,499) | (1,733) | - | (22,640) |
| Change in the consolidation scope | 4,336 | - | 13,673 | 48 | - | 18,057 |
| Translation differences | 8,081 | 23 | 26,668 | 3,917 | | 38,689 |
| Reclassifications | (914) | 1,013 | (60) | (39) | - | - |
| **Depreciation at Dec. 31, 2005** | **177,631** | **2,525** | **533,001** | **47,222** | **-** | **760,379** |
| **Net value Dec. 31, 2005** | **181,471** | **10,018** | **472,030** | **18,869** | **13,587** | **695,975** |

The useful life adopted by the Group is shown in the paragraph relating to the accounting principles to which reference should be made.
The net book value of the property, plant and machinery provided as guarantees on bank loans amounts to Euro 19,875 thousand at December 31, 2005 (Euro 25,028 thousand at December 31, 2004).

The depreciation charge recorded in the account property, plant and equipment at December 31, 2005 amounts to Euro 116,583 thousand, and Euro 17,775 thousand refers to the amount of contractual commitments for the purchase of property, plant and equipment.

*3) Investment property*

The account investment property amounting to Euro 23,000 thousand represents the fair value measurement, and has not changed compared to the previous year. The full value of the investment property has been provided as a guarantee for a bank loan.

*4) Investments valued under the equity method*

The account includes the share of equity in associated companies, consolidated under the equity method.
The table below summarises the data of the associated companies:

(Euro thousands)

| Company | Currency | Registered offices | **Assets** | **Liabilities** | **Revenues** | **Net profit/(loss) for the year** | **% held** |
|---|---|---|---|---|---|---|---|
| **2004** | | | | | | | |
| Speedybeton S.p.A. | EURO | Pomezia - RM (Italy) | 15,424 | 8,399 | 23,420 | 1,330 | 30 |
| Leigh White Cement Company joint venture | USD | Allentown (USA) | 46,274 | 7,702 | 89,624 | 8,784 | 24.5 |
| Aalborg Siam White Cement Pte Ltd | SGD | Singapore (Singapore) | 387 | 235 | 970 | 7 | 50 |
| Secil Unicon SGPS Lda *) | EURO | Lisbon (Portugal) | 15,201 | 4,581 | 14,238 | (319) | 50 |
| Sola Betong AS | NOK | Risavika (Norway) | 4,166 | 1,306 | 9,750 | 1,020 | 33.3 |
| Storsand Sandtak AS | NOK | Saette (Norway) | 417 | 86 | 557 | (23) | 50 |
| EKOL Unicon Spzoo | PLN | Gdansk (Poland) | 4,241 | 1,409 | 6,354 | 526 | 49 |
| | | | **86,109** | **23,718** | **144,913** | **11,326** | |
| **2005** | | | | | | | |
| Speedybeton S.p.A. | EURO | Pomezia – RM (Italy) | 14,735 | 7,628 | 21,839 | 850 | 30 |
| Leigh White Cement Company joint venture | USD | Allentown (USA) | 55,921 | 6,442 | 115,863 | 18,383 | 24.5 |
| Aalborg Siam White Cement Pte Ltd | SGD | Singapore (Singapore) | 130 | 2 | 264 | (25) | 50 |
| Secil Unicon SGPS Lda *) | EURO | Lisbon (Portugal) | 15,718 | 5,155 | 12,851 | (57) | 50 |
| Sola Betong AS | NOK | Risavika (Norway) | 5,157 | 2,198 | 11,500 | 1,133 | 33.3 |
| Storsand Sandtak AS | NOK | Saette (Norway) | 551 | 148 | 739 | 62 | 50 |
| EKOL Unicon Spzoo | PLN | Gdansk (Poland) | 5,564 | 1,801 | 10,184 | 1,010 | 49 |
| Skancon A/S | DKK | Hinnerup (Denmark) | 12,297 | 10,448 | 5,851 | (161) | 50 |
| | | | **110,074** | **33,822** | **179,092** | **21,195** | |

The book value of these investments and the share of the result for the parent company Cementir S.p.A. is summarised below:

| (Euro thousands) | Book value | | Share of result | |
|---|---|---|---|---|
| | **31.12.2005** | **31.12.2004** | **2005** | **2004** |
| Speedybeton S.p.A. | 2,123 | 2,064 | 255 | 364 |
| Leigh White Cement Company joint venture | 15,062 | 11,121 | 4,504 | 333 |
| Aalborg Siam White Cement Pte Ltd | 95 | 95 | (12) | 2 |
| Secil Unicon SGPS Lda | 3,166 | 3,175 | (24) | (22) |
| Sola Betong AS | 1,612 | 1,548 | 377 | 207 |
| Storsand Sandtak AS | 364 | 322 | 31 | - |
| EKOL Unicon Spzoo | 1,844 | 1,391 | 495 | 157 |
| Skancon A/S | 1,001 | - | (81) | - |
| **Total** | **25,267** | **19,716** | **5,545** | **1,041** |

## *5) Other investments*

The other investments equal to Euro 2,563 thousand (Euro 2,555 thousand at December 31, 2004) refer to the investments held in the Toscocem Consortium (in liquidation) for Euro 15 thousand, unchanged compared to the previous year, and to the investments in other companies for Euro 2,548 thousand (Euro 2,540 thousand at December 31, 2004) held in non-quoted companies, composed as follows:

| (Euro thousands) | Cemencal S.p.A. | Immobiliaria Y Construciones Torresol SA | Calcestruzzi ed Inerti S.r.l. | Sipac S.p.A. (in liquidation) | Cimentas Egitim (Foundation) | Ataer A.S. | **Total** |
|---|---|---|---|---|---|---|---|
| **Value at January 1, 2004** | **2,400** | **7** | **5** | **77** | **50** | **5** | **2,544** |
| Increases | | | | | | | - |
| Decreases | | (7) | (3) | | | | (10) |
| Translation differences | | | | | 4 | 2 | 6 |
| **Value at Dec. 31, 2004** | **2,400** | **-** | **2** | **77** | **54** | **7** | **2,540** |
| **Value at January 1, 2005** | **2,400** | **-** | **2** | **77** | **54** | **7** | **2,540** |
| Increases | | | | | | | - |
| Decreases | | | (2) | | | | (2) |
| Translation differences | | | | | 8 | 2 | 10 |
| **Value at Dec. 31, 2005** | **2,400** | **-** | **-** | **77** | **62** | **9** | **2,548** |

## *6) Non-current financial assets*

The account equal to Euro 379 thousand (Euro 611 thousand at December 31, 2004) principally relates to receivables for deposits due within five years.

## *7) Inventories*

The breakdown of inventories is as follows:

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Raw materials, supplies and con. stores | 59,216 | 46,695 |
| Products in work-in-progress | 15,431 | 15,487 |
| Finished goods | 19,551 | 16,035 |
| Advances | 1,212 | 1,527 |
| **Total inventories** | **95,410** | **79,744** |

*8) Trade receivables*

Trade receivables, amounting to a total of Euro 168,047 thousand (Euro 140,683 thousand at December 31, 2004), are broken down as follows:

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Trade receivables | 172,014 | 149,377 |
| Provisions for doubtful debts | (3,967) | (8,694) |
| **Total trade receivables** | **168,047** | **140,683** |

Trade receivables, originating from commercial transactions from the sale of goods and services, do not have significant credit risk concentration, other than that illustrated in the directors' report on operations (segment information). The value of the trade receivables approximates their fair value.

*9) Current financial assets*

This account amounts to Euro 87,926 thousand (Euro 2,216 thousand at December 31, 2004) and relate to liquid securities.

*10) Other current assets*

Other current assets, amounting to Euro 8,393 thousand (Euro 8,501 thousand at December 31, 2004), consist of items not of a commercial nature. The breakdown of this account is as follows:

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| VAT receivables | 863 | 1,009 |
| Receivables from employees | 3,328 | 85 |
| Other receivables | 4,202 | 7,407 |
| **Total other current assets** | **8,393** | **8,501** |

*11) Cash and cash equivalents*

The account amounts to Euro 41,750 thousand (Euro 58,269 thousand at December 31, 2004) and consists of the Group's liquidity, mainly in short-term investments. It consists of the following:

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Bank and postal deposits | 41,196 | 57,844 |
| Cash and cash equivalents | 554 | 425 |
| **Total cash and cash equivalents** | **41,750** | **58,269** |

## *13) Shareholders' Equity*

*Group Shareholders' Equity*

The reconciliation between shareholders' equity and the result at December 31, 2005 of the parent company and the consolidated Group are shown in "Attachment 1".

*Share capital*

The share capital is represented by 159,120,000 ordinary shares with a nominal value of Euro 1 each, fully paid-in. There is no change from the previous year.

*Translation reserve*

The translation reserve at December 31, 2005 is a negative amount of Euro 13,754 thousand and is comprised as follows:

| (Euro thousands) | **31.12.2005** | **31.12.2004** |
|---|---|---|
| Turkey (Turkish Lira) | (17,370) | (53,007) |
| United States (Dollar) | 1,673 | (1,350) |
| Egypt (Egyptian Sterling) | 915 | (221) |
| Poland (Zloty) | 625 | 335 |
| Other countries | 403 | 1,107 |
| **Total translation reserve** | **(13,754)** | **(53,136)** |

*Minority interest shareholders' equity*

The minority interest shareholders' equity at December 31, 2005 amounts to Euro 35,753 thousand (Euro 27,601 thousand at December 31, 2004). The result for 2005 was Euro 6,347 thousand (Euro 375 thousand at December 31, 2004). The translation reserve decreased by Euro 2,670 thousand.

## *13) Employee benefit provisions*

Within the Group there are provisions for employees and employee leaving indemnities. Employee leaving indemnity represents a liability, not financed and fully provisioned, relating to the benefits recognised to employees and paid either on termination or after employment service ends. This liability relates to the so-called defined benefit plans and therefore is determined applying the actuarial method.
The assumptions relating to the determination of the plan are summarised in the table below:

| Values in % | **31.12.2005** | **31.12.2004** |
|---|---|---|
| Annual technical discounting rate | 3.3% - 6% - 5.5% | 3.3% - 5% - 5.4% |
| Annual increase in salaries | 1.9% - 3% | 1.9% - 3% |
| Annual increase in employee leaving indemnity | 3% | 3% |

The amounts recorded in the balance sheet were as follows:

| (Euro thousands) | **31.12.2005** | **31.12.2004** | **01.01.2004** |
|---|---|---|---|
| Nominal value of the provision | 20,345 | 17,904 | **11,025** |
| Adjustment for discounting | (4,050) | (3,087) | **(1,439)** |
| **Total provision for employees** | **16,296** | **14,818** | **9,586** |

The movements are as follows:

| (Euro thousands) | **2005** | **2004** |
|---|---|---|
| **Net liability at January 1** | **14,818** | **9,586** |
| Current cost of the services | 1,755 | 1,607 |
| Financial charges of the services | 371 | 193 |
| Net actuarial profit/(loss) recorded in the year | (790) | (167) |
| Change in the consolidation scope | - | 4,476 |
| Translation differences | 446 | (134) |
| Other changes | 799 | (286) |
| (Services paid) | (1,103) | (457) |
| **Net liabilities at December 31** | **16,296** | **14,818** |

## *14) Provisions*

The non-current and current provisions amounted to Euro 11,608 thousand (Euro 10,220 thousand at December 31, 2004) and Euro 1,235 thousand (Euro 704 thousand at December 31, 2004) respectively and are composed of:

| (Euro thousands) | Quarry restructuring provision | Legal prov. | Other provisions | Total Provisions | Non current provisions | Current provisions |
|---|---|---|---|---|---|---|
| **Value at January 1, 2005** | **3,048** | **1,344** | **6,532** | **10,924** | **10,220** | **704** |
| Provisions | | 172 | 3,105 | 3,277 | | |
| Utilisations | | | (390) | (390) | | |
| Decreases | (968) | | | (968) | | |
| **Value at December 31, 2005** | **2,080** | **1,516** | **9,247** | **12,843** | **11,608** | **1,235** |

The quarry restructuring provision is made in relation to cleaning and maintenance interventions on the quarries for the excavation of raw materials to be made by the end of the utilisation concessions.
Other provisions include the provision for the share of CO2 amounting to Euro 2,000 thousand, estimated as the deficit compared to production at December 31, 2005.

## *15) Trade payables*

The value of the trade payables approximates their fair value and are comprised of:

| (Euro thousands) | **31.12.2005** | **31.12.2004** |
|---|---|---|
| Trade payables | 130,531 | 118,825 |
| Payables to group companies | 1,588 | 1,028 |
| Advances | 2,107 | 208 |
| **Total trade payables** | **134,226** | **120,061** |

## 16) Financial liabilities

The current and non-current financial liabilities and the effective interest rates, determined on an annual basis at the balance sheet date, are as follows:

| (Euro thousands) | 31.12.2005 | 31.12.2004 | Effective interest rate 2005 | Effective interest rate 2004 |
|---|---|---|---|---|
| Bank payables | 221,302 | 66,562 | | |
| Other lenders | 30,783 | 38,569 | | |
| **Non-current financial liabilities** | **252,085** | **105,131** | **5.70%** | **3.12%** |
| Bank payables | 257,363 | 249,155 | | |
| Short-term portion of non-current loans | 6,057 | - | | |
| Other lenders | 7,801 | 5,287 | | |
| Other financial payables | 9,789 | - | | |
| Fair value of the hedging instruments | 413 | - | | |
| **Current financial liabilities** | **281,423** | **254,442** | **3.02%** | **2.32%** |
| **Total financial liabilities** | **533,508** | **359,573** | | |

The due dates of the non-current financial liabilities are as follows:

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Between 1 and 2 years | 47,136 | 15,143 |
| Between 2 and 5 years | 107,415 | 55,681 |
| Over 5 years | 97,534 | 34,307 |
| **Total non-current financial liabilities** | **252,085** | **105,131** |

## 17) Liabilities for current taxes

They amount to Euro 4,946 thousand (Euro  4,941 thousand at December 31, 2004) and refer to income taxes for the year not yet paid.

## 18) Other current liabilities

| (Euro thousands) | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Payables to personnel | 9,527 | 7,018 |
| Payables to social security institutions | 2,707 | 1,870 |
| Other payables | 18,697 | 39,889 |
| **Total other current liabilities** | **30,931** | **48,777** |

## 19) Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the assessable taxable income and the result from the financial statements.
Deferred tax liabilities, amounting to Euro 68,015 thousand (Euro 89,880 thousand at December 31, 2004) and the deferred tax assets, amounting to Euro 40,496 thousand (Euro 49,046 thousand at December 31, 2004), were determined as follows:

| (Euro thousands) | 31.12.2004 | Provision net of utilisations to income statement | Net increase in shareholders' equity | Changes in the consolidation scope | 31.12.2005 |
|---|---|---|---|---|---|
| **Deferred tax liability** | | | | | |
| Differences fiscal depreciation rates | 31,024 | 5,028 | 1,476 | (98) | 37,430 |
| Plant revaluation | 50,287 | (30,567) | (420) | - | 19,300 |
| Others | 8,569 | 3,516 | (800) | - | 11,285 |
| **Total deferred tax liabilities** | **89,880** | **(22,023)** | **255** | **(98)** | **68,015** |
| | | | | | |
| **Deferred tax asset** | | | | | |
| Fiscal losses carried forward | 13,870 | 7,728 | 66 | 623 | 22,287 |
| Provision for risks and charges | 1,987 | (92) | - | - | 1,895 |
| Write down of equity investments | 23,732 | (9,932) | - | - | 13,800 |
| Others | 9,457 | (6,943) | - | - | 2,514 |
| **Total deferred tax assets** | **49,046** | **(9,239)** | **66** | **623** | **40,496** |

## *20) Revenues*

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Revenues from sales of products | 826,811 | 368,012 |
| Revenues from services | 30,969 | 23,252 |
| **Total revenues – goods and services** | **857,780** | **391,264** |

## *21) Other operating revenues*

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Rent, leases and hire charges | 2,189 | 843 |
| Gains | 7,089 | 1,851 |
| Other income and revenues | 5,898 | 2,536 |
| **Total other operating revenues** | **15,176** | **5,230** |

## *22) Raw material costs*

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Purchase of raw materials and semi-finished | 161,150 | 69,659 |
| Purchase of fuel | 68,387 | 48,504 |
| Electricity | 56,607 | 14,307 |
| Purchase of finished goods | 7,903 | 3,363 |
| Purchases of other materials | 48,970 | 21,738 |
| Change in inventory of raw mat., consumables etc. | (9,586) | (866) |
| **Total other operating costs** | **333,431** | **156,705** |

## 23) Personnel costs

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Salaries and wages | 99,897 | 35,601 |
| Social charges | 13,824 | 7,965 |
| Other costs | 7,258 | 4,384 |
| **Total personnel costs** | **120,979** | **47,950** |

The Group employees in the year can be broken down as follows:

| | 31.12.2005 | 31.12.2004 |
|---|---|---|
| Executives | 69 | 61 |
| Managers & white-collar | 1,481 | 1,400 |
| Blue collar | 1,576 | 1,610 |
| **Total** | **3,126** | **3,071** |

In particular, at December 31, 2005 the number of employees of the Parent Company Cementir and the Italian subsidiaries was 575 (561 at December 31, 2004), while the number of employees in the Cimentas Group was 888 (755 at December 31, 2004), in the Aalborg Group 1,007 (990 at December 31, 2004) and the Unicon Group 656 (765 at December 31, 2004).

## 24) Other operating costs

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Transport | 113,419 | 44,292 |
| Services and maintenance | 59,172 | 19,897 |
| Consultants fees | 6,235 | 1,929 |
| Insurance premiums | 4,594 | 1,591 |
| Other services | 31,516 | 14,634 |
| Rent, leases and hire charges | 5,204 | 1,687 |
| Indirect taxes | 7,579 | 1,541 |
| Income taxes of prior years | - | 7,584 |
| Other operating charges | 7,500 | 7,292 |
| **Total other operating costs** | **235,219** | **100,448** |

## 25) Amortisation, depreciation, write-downs and provisions

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Amortisation of intangible assets | 926 | 554 |
| Depreciation of tangible assets | 60,557 | 32,673 |
| Provisions | 3,277 | 2,310 |
| Write-downs | 422 | 932 |
| **Total** | **65,182** | **36,469** |

## *26) Financial management result and share of companies valued under the equity method*

The negative result in 2005 of Euro 4,298 thousand (positive for Euro 32,593 thousand in 2004), refers to the results of the companies measured under the equity method and the financial management result, and is composed of:

| (Euro thousands) | **2005** | **2004** |
|---|---|---|
| Profits from investments measured at equity | 5,662 | 1,063 |
| Losses from investments measured at equity | (117) | (22) |
| **Net result of the companies measured at equity** | **5,545** | **1,041** |
| Interest and financial income | 8,045 | 6,067 |
| Interest payable | (21,117) | (6,594) |
| Other financial charges | (1,148) | (231) |
| *Total net financial income and charges* | **(14,220)** | **(758)** |
| *Net exchange differences* | 5,488 | 3,724 |
| Revaluations of investments | - | 30,708 |
| Write down of equity investments | (1,111) | (2,122) |
| *Total revaluations/write-downs* | **(1,111)** | **28,586** |
| **Net financial result** | **(9,843)** | **31,552** |
| **Net financial result and share of companies valued under the equity method** | **(4,298)** | **32,593** |

## *27) Income taxes*

The net total is a net income of Euro 793 thousand (net charge of Euro 24,278 thousand in 2004), and is composed of current tax charge of Euro 11,991 thousand (Euro 7,388 thousand in 2004) and net deferred tax income of Euro 12,784 thousand (net charge of Euro 16,890 thousand in 2004). This balance is positive as the income statement benefits from a release of a deferred tax charge of Euro 30,567 thousand as a consequence of the revaluation of plant made by Cementir S.p.A., in accordance with the provisions of law 266/2005. This revaluation has no effect on the consolidated assets as the plant was already recorded at fair value on the transition date to IFRS.
The analysis of the difference between the theoretical and actual tax rates are shown below:

| (Euro thousands) | 2005 | | 2004 | |
|---|---|---|---|---|
| **Ires** | **Amount** | **Rate** | **Amount** | **Rate** |
| **Profit before taxes** | **114,951** | 33% | **92,269** | 33% |
| **Theoretical tax charge** | | 37,934 | | 30,449 |
| Temporary differences deductible in future years: | (29,525) | | (10,919) | |
| permanent differences arising in the year | (9,664) | | (37,980) | |
| temporary differences from previous years | (27,901) | | (41,523) | |
| Exempt revenues | (8,879) | | 16,833 | |
| different tax rates on foreign companies | (15,949) | | (303) | |
| **current Ires income tax for the year** | 23,033 | **10,650** | 18,377 | **6,139** |
| **Effective tax charge** | | 9% | | 7% |

| | 2005 | | 2004 | |
|---|---|---|---|---|
| **Irap** | **Amount** | **Rate** | **Amount** | **Rate** |
| **Difference between value and cost of production** | 21,295 | 4.25% | 4,395 | 4.25% |
| Income not assessable for Irap | (23,496) | | (1,484) | |
| Non deductible costs for Irap | 26,920 | | 23,525 | |
| **Theoretical tax charge** | **24,719** | | **26,436** | |
| Net tax changes | 9,430 | | 3,065 | |
| **current Irap on value of production** | 34,149 | **1,341** | 29,501 | **1,249** |
| **Total current income taxes** | - | **11,991** | - | **7,388** |

## 28) Earnings per share

The basic earnings per share are calculated by dividing the Group net result for the year by the weighted average number of ordinary shares outstanding in the year.

| (Euro thousands) | 2005 | 2004 |
|---|---|---|
| Net result | 109,397 | 67,616 |
| Weighted average number of ordinary shares outstanding | 159,120 | 159,120 |
| **Basic earnings per share** | **0.69** | **0.42** |

The diluted earnings per share coincide with the basic earnings per share as Cementir S.p.A. has only issued ordinary shares.

Attachment 1

***CEMENTIR GROUP***

| **Schedule of reconciliation between net equity and result of the parent company and consolidated financial statements** | | |
|---|---|---|
| (Euro thousands) | **Net profit** | **Sharehold. Equity** |
| **Financial Statements of Cementir S.p.A.** | **8,742** | **598,662** |
| Reversal effects of the revaluation in 2005 | 2,167 | (88,468) |
| Reversal of deferred tax liabilities on revaluation in 2005 | 23,902 | 23,902 |
| Reversal effects of the revaluations in previous years | - | (231,700) |
| Elimination of additional depreciation deriving from the revaluations | 21,277 | 224,905 |
| Deferred tax assets on the additional depreciation | (7,926) | 125 |
| Amortisation of the Cimentas consolidation difference at December 31, 2003 | - | (13,842) |
| Higher gains on sales and conferment | - | (1,170) |
| IAS/IFRS effects | (84) | 92,462 |
| Share of associates under the net equity method | 5,545 | 4,388 |
| Effect of the consolidation of the subsidiaries | 61,317 | 224,790 |
| Infra-group dividends | (5,543) | - |
| **Total Group** | **109,397** | **834,054** |
| **Total Minority interest** | **6,347** | **35,753** |
| **Consolidated financial statements of the Cementir Group** | **115,744** | **869,807** |

Attachment 2

# Transition to International Financial Reporting Standards (IFRS)

## Introduction

Following the entry into force of European Regulation No. 1606 of July 2002, the Cementir Group has adopted from January 1, 2005, the International Accounting Standards (hereafter IAS/IFRS) and, therefore, will prepare the first full consolidated financial statements prepared in accordance with IAS/IFRS as at December 31, 2005.
As permitted by article 81 of the Issuers' Regulations No. 11971 of 1999 adopted by Consob with Regulation No. 14990 of April 14, 2005, the Group prepared the half-year report at June 30, 2005 in accordance with the principles for the preparation of the annual and consolidated accounts for the year ended December 31, 2004.
As required by IFRS 1 – First-time Adoption of the International Financial Reporting Standard and by article 81 bis, in order to illustrate the impact of the transition to the international accounting standards on the balance sheet, financial position and results of the Group, this appendix includes the following schedules:

- Preparation in accordance with IFRS of the consolidated balance sheet at January 1, 2004 (transition date) and at December 31, 2004 (balance sheet date of the last consolidated financial statements prepared in accordance with Italian GAAP)
- Preparation in accordance with the IFRS of the consolidated income statement for the year 2004
- Notes to the above schedules
- Reconciliation of the Shareholders' Equity at January 1, 2004 and at December 31, 2004 in accordance with Italian GAAP and IFRS
- Reconciliation of the Net Result for the year 2004 in accordance with Italian GAAP and IFRS

In the preparation of these schedules, the values of the consolidated balance sheet at January 1, 2004 and at December 31, 2004 and those of the consolidated income statement at December 31, 2004 in accordance with Italian GAAP were appropriately reclassified in order to reflect the new financial statement format the Group has adopt.
It should be noted that the present appendix was prepared for the purposes of the transition for the preparation of the consolidated financial statements of 2005 in accordance with the standardised IFRS of the European Commission; they do not include, therefore, all the schedules, comparative information and explanatory notes that would be necessary to provide a true and fair view of the equity and financial position, and of the consolidated result of the Cementir Group in conformity with IFRS standards.
It should also be noted that the schedules were prepared in accordance with the current IAS/IFRS in force. However, these principles may not be those applicable at December 31, 2005 due to the new orientations of the European Commission in relation to their standardisation or the issue of new principles or interpretations by the competent authorities for which it will be possible to apply advanced application and, therefore, the data presented may be changed in order to utilise these comparative data of the first full consolidated financial statements prepared in accordance with IFRS.
The most significant accounting standards used in preparing the reconciliation schedules are as follows.

## Consolidation principles

### *Subsidiary companies*

The consolidation scope includes the Parent Company Cementir S.p.A. and the companies in which it exercises direct or indirect control through the majority of the voting rights.
The companies are consolidated from the date in which control occurs until the moment in which this control terminates.
Inactive subsidiaries or those that generate an insignificant volume of turnover, after eliminations or commissions, are not included in the consolidated financial statements, in that their impact on the consolidated financial statements of the Group is not material.

***Associated companies***
The associated companies, which are the companies in which the Group exercises a considerable influence but does not exercise control or joint control of the financial and operating policies, are valued under the net equity method. The profits and losses pertaining to the Group are recorded in the consolidated income statement at the date when the significant influence begins and until the date when it terminates.
Where the loss pertaining to the Group exceeds the book value of the investment, the value is written down to zero and, where the holding is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the excess is recorded in a specific provision.

***Consolidation procedure***
The assets and liabilities, charges and income of the companies consolidated under the global integration method are fully included in the consolidated financial statements; the book value of the investments are eliminated against the corresponding fraction of the net equity of the subsidiaries, allocating to the individual assets and liabilities their current value at the date of acquisition of control. Any residual difference deriving from this elimination is recorded in the account "Goodwill" if positive, or charged to the Income Statement, if negative.
The share of net equity and result for the year relating to minority shareholders are recorded in specific accounts in the balance sheet and income statement.
All infragroup balances and transactions, including any non realised gains deriving from transactions between Group companies, are eliminated net of their theoretical fiscal effect, if significant.
The gains and losses not realised with associated companies are eliminated for the part pertaining to the Group. The losses not realised are eliminated except when they represent a permanent impairment in value.

***Translation criteria of foreign currencies***
The functional and presentation currency of the Group is the Euro. All transactions in currencies other than the Euro are recorded at the exchange rate at the date of the transaction. The assets and liabilities denominated in foreign currencies other than the operational currencies are subsequently adjusted to the exchange rate at the end of the reporting period. The positive or negative differences between the values translated at the period end exchange rate and the original exchange rate are recorded in the income statement.
The non-monetary assets and liabilities denominated in foreign currencies and recorded at historical cost are translated utilising the exchange rate at the initial date of recording of the operation.
The non-monetary assets and liabilities recorded at fair value are translated using the exchange rate at the transaction date.
The financial statements of consolidated companies not included in the eurozone are translated into Euro applying, for the balance sheet, the exchange rate at the period end, and, for the income statement, the average exchange rate in the period. The exchange differences are recorded directly in equity and recorded in a separate reserve.
On the disposal of a foreign subsidiary, the cumulated translation differences recorded in the separate equity account will be recognised in the income statement.

**Accounting principles**

***Intangible assets with definite life***
Intangible assets are recorded at cost, including direct accessory costs necessary in order to render the asset available for use.
Intangible assets with a definite life are recorded net of the relative accumulated amortisation and any loss in value in accordance with the procedures described below. Amortisation is calculated on a straight line basis over the estimated useful life of the asset, reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates.

On the sale or when there is no expected future economic benefits from the use of an intangible asset, this is eliminated from the financial statements and any loss or gain (calculated as difference between the disposal value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

***Goodwill***

In the case of acquisition of subsidiary or associated companies, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the quota held by the Group of the current value of these assets and liabilities are classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recorded in the income statement at the moment of the acquisition.
After the initial recording, the goodwill is not amortised, but is subject annually, or more frequently if specific events indicate the possibility to have incurred a loss in value, to determine the existence of any impairment in value, in accordance with the procedures described below. Write-downs may not be subsequently restated.
On the first-time adoption of IFRS, the Group has chosen not to apply *IFRS 3 Business Combinations* in retrospective mode for the acquisition of companies prior to January 1, 2004; consequently, the goodwill generated on the acquisitions prior to the transition date to the IFRS was maintained at the previous value determined in accordance with Italian GAAP, with the prior verification and recording of any loss in value.

***Intangible assets with an indefinite life***

Intangible assets with an indefinite life are those activities for which, on the basis of analysis of all of the important factors, there is no foreseeable limit to the period in which the cash flow generated is limited for the Group.
The intangible assets with an indefinite life are initially recorded at purchase cost, determined in accordance with the procedures indicated for intangible assets, but subsequently they are not amortised. The recovery of their value is verified adopting the same criteria for the Goodwill. Write-downs are reinstated if the reasons for their write down no longer exist.

***Property, plant and equipment***

Tangible fixed assets are recorded at cost, including directly allocated accessory costs and necessary for the asset being in the condition for use for which it was acquired, and increased, in the presence of current obligations, by the current value of the estimated cost for the disposal of the asset. Where significant parts of these tangible fixed assets have different useful lives, these components are recorded separately. Land, both constructible and relating to civil and industrial buildings, is not depreciated in that it has an unlimited useful life.
Tangible fixed assets are recorded net of the relative accumulated depreciation and any loss in value determined in accordance with the procedures described below. Depreciation is calculated on a straight line basis over the estimated useful life of the asset, reviewed on an annual basis and any changes, where necessary, are made in accordance with future estimates.
On the sale or when no future economic benefits are expected from the use of a tangible asset, this is eliminated from the financial statements and any loss or gain (calculated as difference between the disposal value and the book value) is recorded in the income statement in the year of the above mentioned elimination.

***Investment property***

Property investments are measured at market value and are not depreciated. The changes in value are recognised in the income statement.

***Loss in value***

At each period end the book value of intangible and tangible fixed assets are subject to verification, to record the existence of events or changes that indicate that the book value may not be recovered. If an indication of this type exists, their recoverable value must be determined and, in the case in which the book value exceeds the recoverable value, these assets are written down to reflect their recoverable value. The recoverable value of goodwill

and that of other indefinite intangible assets is, however, estimated at each balance sheet date or, in any case when there is a change in circumstances or specific events that require this. The recoverable value of the tangible and intangible fixed assets is represented by the higher value between the current value, net of the selling costs and their value of use.
In defining the value of use, the expected future cash flows are discounted utilising a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the activity. For an asset that does not generate sufficient independent cash flows, the realisable value is determined in relation to the generation unit of the cash flows to which the assets belongs. The losses in value are recorded in the Income Statement under the account amortisation, depreciation and write down costs.

***Inventories***
Raw materials, semi-finished and finished products are valued at the lower of cost and market value. The purchase cost is calculated using the FIFO method.

***Financial Instruments***
*Equity investments in other companies*
The investments in subsidiaries excluded from the consolidation scope and in other companies are measured at fair value with the recording of any gain of loss directly in the income statement. When the fair value cannot be reliably determined, these investments are valued at cost adjusted for reductions in value, whose effects are recorded in the income statement. Write-downs may not be subsequently restated.
*Trade receivables*
Trade receivables, which mature within the normal commercial terms, are not discounted and are recorded at amortised cost using the effective interest rate method (identified by their nominal value), net of any reductions in value. The reductions in value are determined on the basis of the current expected value of future cash flows.
*Cash and cash equivalents*
Cash and cash equivalents include bank deposits and cash in hand, or rather those values that are available on demand at short notice, certain in nature and with no payment expenses. For the purposes of the consolidated cash flow statement, cash and cash equivalents are recorded net of bank overdrafts at the balance sheet date.

***Financial liabilities and trade payables***
Financial liabilities and trade payables are initially recorded at fair value net of directly allocated transaction costs.
Thereafter, they are valued under the amortised cost criteria, utilising the original effective interest rate method.

***Treasury Shares***
Treasury shares are recorded as a reduction of shareholders' equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recorded as net equity movements.

***Employee benefits***
The liabilities relating to the benefits recognised to employees and paid on or after the termination of employment and relating to defined benefit programmes (Employee Leaving Indemnity), net of any assets serving the plan, are determined on the basis of actuarial assumptions estimating the amount of the future benefits that the employees have matured at the balance sheet date. The liability is recorded on an accruals basis over the maturity period of the right. The valuations of the liabilities are made by independent actuaries.

***Provision for risks and charges***
Provisions for risks and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.
Provisions for risks and charges are recorded when, at the balance sheet date, a legal or implicit obligation exists that derives from a past event and a payment of resources is a probable requirement to satisfy the obligation, and the amount of this payment can be

estimated. When the financial effect of the time is significant and the payment dates of the obligations can be reliably estimated, the provision shall be discounted; the increase of the provision due to the passing of time is recorded as a financial charge. If the liability relates to a tangible fixed asset (example reclamation of sites), the counterparty of the provision is recorded under the asset to which it refers; the recording of the charge to the income statement is made through the process of depreciation of the tangible fixed asset to which the charge refers to.

***Grants***
The grants, from public entities and private third parties, are recorded at fair value when there is reasonable certainty that they will be received and that they will satisfy the conditions for their attainment.
The grants received against specific expenses are recorded under other liabilities and credited to the income statement in the period in which the related costs mature.
The grants received against specific assets whose value is recorded under tangible fixed assets are recorded either as a direct reduction of tangible fixed assets or under other liabilities and credited to the income statement in relation to the depreciation period to which the asset refers.
Operating grants are fully recorded to the income statement at the moment in which they satisfy the conditions for their recording.

***Revenues***
Revenues are recorded in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. Revenues are recorded net of returns, discounts and allowances.
In particular, the revenues from the sale of goods are recorded when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.
Revenues for services are recorded when the services are provided, with reference to the progress of completion of the activities.

***Interest***
Financial income and charges are recorded on an accruals basis on the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

***Dividends***
Revenues are recorded when the right of the shareholders to receive the payment arises.

***Income taxes***
Current income taxes for the year are determined based on an estimate of the taxable assessable income and in accordance with current legislation.
Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values recorded in the consolidated half-year report and the corresponding values recognised for fiscal purposes applying current fiscal rates at the balance sheet date.
The recording of deferred tax assets is made when their recovery is probable, that is when it is expected that future assessable fiscal income sufficient to recover the asset will be available. The recovery of the deferred tax asset is reviewed at each balance sheet date.

**First-time adoption of IFRS**
The adoption of the international accounting principles were made in accordance with the provisions contained in IFRS 1 – First-time adoption of the International Financial Reporting Standards.
The principal options contained in IFRS 1 and utilised in the opening balance sheet are the following:

- Business Combinations: the Group did **not** apply IFRS 3 in retrospective manner to the acquisition of companies before the transition date to IFRS;
- Measurement of property, plant and machinery and of intangible assets at fair value at the transition date or, alternatively, at revalued cost as replacement value of the cost: the Group **has** recorded some fixed assets at fair value at the transition date to IFRS.

## IAS/IFRS consolidated balance sheet at January 1, 2004

The balance sheet at January 1, 2004 is shown below and illustrates:
- the values in accordance with the reclassified Italian GAAP according to the IAS/IFRS format;
- The adjustments in order to apply IAS/IFRS principles.

## Balance sheet at January 1, 2004

***(in thousands of Euro)***

| ASSETS | Italian GAAP, IAS reclassified | IAS/IFRS adjustments | IAS/IFRS | Note |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Intangible assets with definite life | 222 | (28) | 194 | |
| Goodwill and other indefinite intangible assets | 113,660 | - | 113,660 | |
| Property, plant and equipment | 192,074 | 129,844 | 321,918 | **1** |
| Investment property | - | 23,000 | 23,000 | **2** |
| Equity investments valued at net equity | 2,193 | - | 2,193 | |
| Investments and other non-current securities | 16,596 | 31,277 | 47,873 | **3** |
| Non-current financial assets | 420 | - | 420 | |
| Deferred tax asset | 63,067 | 785 | 63,852 | **4** |
| **TOTAL NON-CURRENT ASSETS** | **388,232** | **184,878** | **573,110** | |
| **CURRENT ASSETS** | | | | |
| Inventories | 33,265 | 3,087 | 36,352 | **5** |
| Trade receivables | 80,886 | - | 80,886 | |
| Receivables from tax authorities | 611 | - | 611 | |
| Other current assets | 1,910 | (389) | 1,521 | |
| Cash and cash equivalents | 189,535 | - | 189,535 | |
| Assets held for sale | - | - | - | |
| **TOTAL CURRENT ASSETS** | **306,207** | **2,698** | **308,905** | |
| **TOTAL ASSETS** | **694,439** | **187,576** | **882,015** | |

## Balance sheet at January 1, 2004

***(in thousands of Euro)***

| LIABILITIES AND SHAREHOLDERS' EQUITY | Italian GAAP, IAS reclassified | IAS/IFRS adjustments | IAS/IFRS | Note |
|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | 159,120 | - | 159,120 | |
| Treasury Shares | - | (7,115) | (7,115) | |
| Share premium reserve | 22,711 | - | 22,711 | |
| Other reserve | 263,013 | 122,098 | 385,111 | |
| Retained earnings/(accumulated losses) | - | - | - | |
| Profit for the year | 60,243 | - | 60,243 | |
| **Group shareholders' Equity** | **505,087** | **114,983** | **620,070** | |
| Minority interest shareholders' Equity | 5,767 | (1) | 5,766 | |
| **TOTAL SHAREHOLDERS' EQUITY** | **510,854** | **114,982** | **625,836** | |
| **NON-CURRENT LIABILITIES & PROVISIONS** | | | | |
| Employee provisions | 9,646 | (61) | 9,585 | |
| Other non-current provisions | 492 | 1,753 | 2,245 | **6** |
| Non-current financial liabilities | 50,191 | (479) | 49,712 | |
| Other non-current liabilities | 1,983 | - | 1,983 | |
| Deferred tax liabilities | 454 | 71,381 | 71,835 | **7** |
| **TOTAL NON-CURRENT LIABILITIES & PROVISIONS** | **62,766** | **72,594** | **135,360** | |
| **CURRENT LIABILITIES & PROVISIONS** | | | | |
| Trade payables | 61,647 | - | 61,647 | |
| Current financial liabilities | 26,614 | - | 26,614 | |
| Tax payables | 15,510 | - | 15,510 | |
| Other current liabilities | 17,048 | - | 17,048 | |
| Liabilities related to activities held for sale | - | - | - | |
| **TOTAL CURRENT LIABILITIES & PROVISIONS** | **120,819** | **-** | **120,819** | |
| **TOTAL LIABILITIES** | **183,585** | **72,594** | **256,179** | |
| **TOTAL LIABILITIES AND NET EQUITY** | **694,439** | **187,576** | **882,015** | |

**Comments to the principal IAS/IFRS adjustments to the Balance sheet accounts at January 1, 2004**

Brief comments to the adjustments on the balance sheet at January 1, 2004 are provided below.
The effect of these adjustments, net of the applicable fiscal effects on the shareholders' equity is reported in the reconciliation schedule at page 22.

***1) Property, plant and equipment***
The account increased by a total amount of Euro 129,844 thousand, principally due to the following adjustments:
- Recognition at January 1, 2004 of property, plant and machinery (Euro +145,062 thousand) at fair value as the initial cost based on an independent expert's valuation;
- The carrying value of the building at Torrespaccata (Euro -16,160 thousand) owned by the company Cementir S.p.A was reclassified to investment properties and valued at fair value;
- Capitalisation of dismantling and restoration charges of production sites (Euro +612 thousand) and recording the charges in a separate provision under liabilities.

***2) Investment property***
The account increased by a total amount of Euro 23 million following the fair value recording of the building at Torrespaccata, previously recorded in the account property, plant and equipment.

***3) Investments and other non-current securities***
The account increased by an amount of Euro 31,277 thousand due to the following adjustments:
- **Equity investments in other companies** (Euro +38,392 thousand): in accordance with IFRS, the investments in other companies must be measured at fair value - when this can be reliably measured. The market value at December 31, 2003 of the investments in the companies Caltagirone Editore S.p.A and Torreblanca del Sol Sa increased respectively by Euro 32,119 thousand and Euro 6,273 thousand;
- **Treasury shares** (Euro -7,115 thousand): treasury shares, previously recorded under financial assets, were reclassified as a direct reduction of Shareholders' Equity, as required by IFRS.

***4) Deferred tax asset***
The account increased by Euro 785 thousand following the fiscal effects on the adjustments made.

***5) Inventories***
The account increased by Euro 3,087 thousand, following the determination of the value of inventories in accordance with the FIFO method.

***6) Other non-current provisions***
The account increased for a total of Euro 1,753 thousand due to the recording of the dismantling and restoration provision (Euro +2,080 thousand) and the reversal (Euro -327 thousand) of some provisions which were not in accordance with the IFRS requirements.

***7) Deferred tax liability***
The account increased for a total amount of Euro 71,381 thousand, principally due to the tax effects (Euro +58,226 thousand), where applicable, on the adjustments made and, in accordance with the provisions of IFRS, on the deferred tax liability provision (Euro +13,155 thousand) generated in previous years following the revaluation of the non-monetary items in accordance with IAS 29.

**Consolidated balance sheet at December 31, 2004**
**IAS/IFRS consolidated income statement at December 31, 2004**

The balance sheet and income statement at December 31, 2004 is shown below, which illustrates:

- the values in accordance with Italian GAAP reclassified to the IAS/IFRS format;
- the adjustments in order to apply IAS/IFRS standards.

**Balance sheet as at December 31, 2004**

***(in thousands of Euro)***

| ASSETS | Italian GAAP, IAS reclassified | IAS/IFRS adjustments | IAS/IFRS | Note |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Intangible assets with definite life | 4,167 | (85) | 4,082 | |
| Goodwill and other indefinite intangible assets | 357,789 | 5,020 | 362,809 | **1** |
| Property, plant and equipment | 500,012 | 118,058 | 618,070 | **2** |
| Investment property | - | 23,000 | 23,000 | **3** |
| Equity investments valued at equity | 19,717 | - | 19,717 | **4** |
| Investments and other non-current securities | 2,628 | - | 2,628 | |
| Non-current financial assets | 619 | - | 619 | |
| Deferred tax assets | 47,641 | 797 | 48,438 | **5** |
| **TOTAL NON-CURRENT ASSETS** | **932,573** | **146,790** | **1,079,363** | |
| **CURRENT ASSETS** | | | | |
| Inventories | 73,777 | 5,967 | 79,744 | **6** |
| Trade receivables | 140,577 | - | 140,577 | |
| Receivables from tax authorities | 6,132 | - | 6,132 | |
| Other current assets | 10,180 | (334) | 9,846 | |
| Other current financial assets | 1,706 | - | 1,706 | |
| Cash and cash equivalents | 58,268 | - | 58,268 | |
| Assets held for sale | - | - | - | |
| **TOTAL CURRENT ASSETS** | **290,640** | **5,633** | **296,273** | |
| **TOTAL ASSETS** | **1,223,213** | **152,423** | **1,375,636** | |

## Balance sheet as at December 31, 2004

***(in thousands of Euro)***

| LIABILITIES AND SHAREHOLDERS' EQUITY | Italian GAAP, IAS reclassified | IAS/IFRS adjustments | IAS/IFRS | Note |
|---|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | 159,120 | - | 159,120 | |
| Share premium reserve | 15,052 | - | 15,052 | |
| Treasury shares | - | - | - | |
| Other reserves | 360,940 | 94,619 | 455,559 | |
| Retained earnings/(accumulated losses) | - | - | - | |
| Profit for the year | 78,783 | (11,045) | 67,738 | |
| **Group shareholders' equity** | **613,895** | **83,574** | **697,469** | |
| Minority interest shareholders' equity | 27,950 | (1) | 27,949 | |
| **TOTAL SHAREHOLDERS' EQUITY** | **641,845** | **83,573** | **725,418** | |
| **NON CURRENT LIABILITIES AND PROVISIONS** | | | | |
| Employee provisions | 10,412 | (70) | 10,342 | |
| Other non-current provisions | 12,453 | 2,948 | 15,401 | **7** |
| Non-current financial liabilities | 105,657 | (424) | 105,233 | |
| Other non-current financial liabilities | - | - | - | |
| Other non-current liabilities | 1,770 | - | 1,770 | |
| Deferred tax liabilities | 22,856 | 66,396 | 89,252 | **8** |
| **TOTAL NON-CURRENT LIABILITIES AND PROVISIONS** | **153,148** | **68,850** | **221,998** | |
| **CURRENT LIABILITIES AND PROVISIONS** | | | | |
| Trade payables | 120,061 | - | 120,061 | |
| Current financial liabilities | 247,676 | - | 247,676 | |
| Tax payables | 10,856 | - | 10,856 | |
| Other current liabilities | 49,627 | - | 49,627 | |
| Liabilities related to activities held for sale | - | - | - | |
| **TOTAL CURRENT LIABILITIES & PROVISIONS** | **428,220** | **-** | **428,220** | |
| **TOTAL LIABILITIES** | **581,368** | **68,850** | **650,218** | |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **1,223,213** | **152,423** | **1,375,636** | |

## Income statement as at December 31, 2004

***(in thousands of Euro)***

| INCOME STATEMENT | Italian GAAP, IAS reclassified | IAS/IFRS adjustments | IAS/IFRS | Note |
|---|---|---|---|---|
| Revenues from sales of goods and services | 391,255 | - | 391,255 | |
| Change in work in process, semi-finished and finished products | 3,854 | - | 3,854 | |
| Increases for internal work | 900 | - | 900 | |
| Other operating revenues | 14,787 | (9,816) | 4,971 | **9** |
| **TOTAL OPERATING REVENUES** | **410,796** | **(9,816)** | **400,980** | |
| Raw material costs | (159,402) | 2,710 | (156,692) | **10** |
| Personnel costs | (47,958) | 9 | (47,949) | |
| Other operating charges | (103,985) | (119) | (104,104) | |
| **TOTAL OPERATING COSTS** | **(311,345)** | **2,600** | **(308,745)** | |
| **EBITDA** | **99,451** | **(7,216)** | **92,235** | |
| Depreciation, amortisation, provisions & write-downs | (37,687) | 4,873 | (32,814) | **11** |
| **EBIT** | **61,764** | **(2,343)** | **59,421** | |
| Net share of associates under equity method | - | - | - | |
| Net financial result | 47,854 | (14,986) | 32,868 | **12** |
| **PRE-TAX RESULT** | **109,618** | **(17,329)** | **92,289** | |
| Income taxes | (30,545) | 6,284 | (24,261) | |
| **NET RESULT FROM NORMAL ACTIVITIES** | **79,073** | **(11,045)** | **68,028** | |
| **RESULT OF THE ACTIVITIES SOLD OR TERMINATED** | **-** | **-** | **-** | |
| **NET PROFIT FOR THE YEAR** | **79,073** | **(11,045)** | **68,028** | |
| **MINORITY INTEREST SHARE OF RESULT** | **(290)** | **-** | **(290)** | |
| **GROUP NET PROFIT** | **78,783** | **(11,045)** | **67,738** | |

**Comments to the principle IAS/IFRS adjustments on the balance sheet and income statement at December 31, 2004**

Brief comments to the adjustments on the balance sheet and income statement as at December 31, 2004 are provided below.
The effect of these adjustments, net of the applicable fiscal effects on shareholders' equity is reported in the reconciliation schedule at page 22.

***1) Goodwill and other indefinite intangible assets***
In accordance with IFRS the goodwill and the indefinite intangible assets shall not be amortised but subject annually to verifications to determine the existence of any reduction in permanent value. The account therefore increased by an amount of Euro 5,020 thousand following the reversal of the depreciation calculated in 2004 on the consolidation differences.

***2) Property, plant and equipment***
The account increased by a total amount of Euro 118,058 thousand, principally due to the following adjustments:

- Recognition at fair value of the buildings and plant amounting to Euro 135,000 thousand:
- The value of the building at Torrespaccata (Euro -16,160 thousand) owned by the company Cementir S.p.A was reclassified to the account investment properties and valued at fair value;
- Recalculation of depreciation relating to total assets, or rather assets composed of components of significant value with different useful lives (Euro -1,704 thousand);
- Capitalisation of dismantling and restoration charges of production sites (Euro +612 thousand) and the recording of the charges in a separate provision under liabilities.

***3) Investment property***
The account increased by a total amount of Euro 23 million following the fair value recording of the building at Torrespaccata, previously recorded in the account property, plant and equipment.

***4) Investments and other non-current securities***
The account equal to zero, decreased due to the sale, in 2004, of the investments in the companies Caltagirone Editore S.p.A and Torreblanca del Sol Sa, as previously indicated and recorded at fair value in the opening balance sheet at January 1, 2004 (transition date to the IFRS).

***5) Deferred tax assets***
The account increased by an amount of Euro 797 thousand, due to the fiscal effects of the adjustments made.

***6) Inventories***
The account increased by Euro 5,967 thousand, following the determination of the value of inventories in accordance with the FIFO method.

***7) Other non-current provisions***
The account increased by a total net amount of Euro 2,948 thousand, due to the recording of the dismantling and restoration provisions and the reversal of some provisions which were not in accordance with the requirements of IFRS.

***8) Deferred tax liability***
The account increased for a total amount of Euro 66,396 thousand, principally due to the tax effects (Euro +54,828 thousand), where applicable, on the adjustments made and, in accordance with the provisions of IFRS, on the deferred tax liability provision (Euro +11,568 thousand) generated in previous years following the revaluation of the non-monetary items in accordance with IAS 29.

### *9) Other operating revenues*
The account decreases by Euro 9,816 thousand, principally against the elimination of the gain recorded in the consolidated financial statements on the building at Corso di Francia sold in 2004 and subject, as previously indicated to recording at fair value in the opening balance sheet at January 1, 2004 (transition date to the IFRS).

### *10) Raw material costs*
The account decreased by Euro 2,710 thousand principally due to the recording of the cost of inventories adopting the FIFO method.

### *11) Amortisation & depreciation*
The account decreased by Euro 4,873 thousand, principally due to the higher depreciation calculated on the building at Corso di Francia, recorded at fair value on January 1, 2004 (Euro +246 thousand), to the higher depreciation resulting from the effect of the so-called "component analysis" (Euro +1,704 thousand) and to the elimination of the amortisation on goodwill and the indefinite intangible assets (Euro -6,812 thousand).

### *12) Net result deriving from the financial management*
The account decreased by a net amount of Euro 14,986 thousand, principally due to the following adjustments:

- The recognition in the consolidation reserve (Euro +25,855 thousand) following the acquisition of the Danish subsidiary Unicon A/S, previously recorded in shareholders' equity;
- Elimination of the gain (Euro -36,270 thousand) recorded in the consolidated statements for the investments in the companies Caltagirone Editore S.p.A and Torreblanca del Sol Sa sold in 2004 and, as previously indicated, recorded at fair value in the opening balance sheet at January 1, 2004 (transition date to the IFRS).
- Recognition of the losses (Euro -2,122 thousand) generated, in accordance with IFRS, on the investments in the companies Caltagirone Editore S.p.A and Torreblanca del Sol Sa following their recognition at fair value;
- Elimination of the gain generated (Euro -2,423 thousand) from the sale of treasury shares.

### *13) Income taxes*
The account decreased by a total net amount of Euro 6,284 thousand, due to the positive and negative tax effects (Euro +3,410 thousand), where applicable, on the adjustments made and, as previously indicated, in accordance with IAS 29, on the deferred tax liability provision (Euro +2,874 thousand) generated in 2004.

## Reconciliation of shareholders' equity and the income statement

| (in thousands of Euro) | Note | Net Equity January 1, 2004 *Group and minority interest* | Net Equity December 31, 2004 *Group and minority interest* | Income statement 2004 *Group and minority interest* |
|---|---|---|---|---|
| **Italian GAAP** | | **510,854** | **641,845** | **79,073** |
| Adjustments: | | | | |
| Goodwill and other assets with indefinite life | a | - | 5,020 | 32,667 |
| Property, plant and equipment & Investment property | b | 152,844 | 141,058 | (11,786) |
| Financial Instruments | c | 31,277 | - | (40,815) |
| Inventories | d | 3,087 | 5,967 | 2,880 |
| Other non-current provisions | e | (1,753) | (2,948) | (227) |
| Other adjustments | f | 123 | 75 | (48) |
| Fiscal effects of the adjustments | g | (70,596) | (65,599) | 6,284 |
| **Total adjustments net of fiscal effect** | | **114,982** | **83,573** | **(11,045)** |
| **IAS/IFRS** | | **625,836** | **725,418** | **68,028** |

### a) Goodwill and other assets with definite life
In accordance with IFRS, goodwill and consolidation differences are no longer subject to amortisation, but periodically undergo an impairment test in order to identify any loss in value. *The new measurement criteria result in a positive effect on the income statement for 2004 of Euro 32,667 thousand and on the net equity at December 31, 2005 of approx. Euro 5,020 thousand.*

### b) Property, plant and equipment & Investment property
The IFRS permit, subsequent to the initial recognition at cost, the measurement of these assets at either cost or fair value.
Exercising the option contained in IFRS 1, property, plant and equipment and a building not held for operational purposes were recorded at their fair value at the transition date to IFRS. IFRS also provide that in relation to the presence of a group of assets, or rather assets composed of components of a significant value with different useful lives, different depreciation rates should be used. For these assets, previously recorded and depreciated in a single category in accordance with Italian GAAP, the components having different useful lives were identified and the relative depreciation was recalculated.
*The effect of these adjustments on the shareholders' equity at January 1, 2004 and at December 31, 2004 were respectively approx. Euro 152,844 thousand and Euro 141,058 thousand*.
*The effect on the income statement of 2004 was negative for Euro 11,786 thousand in that the building recorded at fair value at January 1, 2004 (transition date to the IFRS) was sold in the year; this resulted in a reduction of the gain realised recorded in accordance with Italian GAAP.*

### c) Financial Instruments
In accordance with IFRS, the investments in other companies measured at fair value recorded in the income statement are recognised at market value with any gains or losses directly recorded in the income statement. Treasury shares are recorded as a reduction of shareholders' equity as are any gains or losses.

*The effects of these adjustments on shareholders' equity at January 1, 2004 is equal to approximately Euro 31,277 thousand and on the income statement for the year 2004 are negative for Euro 40,815 thousand as the investments recorded at fair value at January 1, 2004 were sold in the year. This resulted in a reduction of the gain realised, recorded in accordance with Italian GAAP.*

**d) Inventories**
In accordance with IFRS, the cost of inventories must be determined adopting either the FIFO or the weighed average cost method. The LIFO method is no longer permitted. The value of inventories adopting the FIFO method was calculated *with a positive effect on shareholders' equity at January 1, 2004 and at December 31, 2004 of approx. Euro 3,087 thousand and Euro 5,967 thousand respectively.*

**e) Other non-current provisions**
IFRS requires that provisions for risks and charges must be recorded only when there is a binding past event and the company does not have a realistic alternative but to comply with the obligation.
In addition, IFRS requires that the dismantling and restoration charges of the production sites, to be incurred by the end of the production activity, are recorded at their current value as a component of the initial cost of the assets. The corresponding liability is recorded, in the period in which it arises, as a liability against the related assets. The capitalised cost is charged to the income statement over the life of the relative fixed assets through the amortisation process.
*The effect of these adjustments on shareholders' equity at January 1, 2004 and at December 31, 2004 were approx. Euro 1,753 thousand and Euro 2,948 thousand respectively.*

**f) Other adjustments**
The total other adjustments result in a positive net effect of an insignificant amount and principally relate to the discounting of financial payables, the reversal of formation and start-up costs (as under IFRS they may not be capitalised) and the actuarial calculation of the employee leaving indemnity.

**g) Tax effect**
The account refers to the tax effect determined, where applicable, on the adjustments made and, in accordance with the provisions of IFRS, as previously indicated, on the deferred tax liability provision generated in previous years following the revaluation of the non-monetary items in accordance with IAS 29.

**Effects on the cash flow statement at December 31, 2004**

The consolidated cash flow statement reconciliation is not presented in that the effects deriving from the application of the IAS/IFRS accounting standards do not result in a significant impact.

**Audit on the reconciliations required by IFRS 1**

The reconciliations to the IFRS balance sheets at January 1, 2004 and at December 31, 2004, as well as the income statement for the year of 2004, together with the relative explanatory notes, were audited. The audit firm PriceWaterhouseCoopers S.p.A. completed its activity and the relative report was published together with the present document.

## IAS/IFRS Reconciliation of the Result and the Shareholders' Equity at June 30, 2005

### Introduction

The consolidated half-year report of the Cementir Group at June 30, 2005 was prepared utilising Italian GAAP.
As required by IFRS No. 1, the reconciliation between the result and the shareholders' equity at June 30, 2005 in accordance with Italian GAAP and those in accordance with IFRS, together with the relative explanatory notes, is provided below.
On the adoption of international accounting standards, the Cementir Group has applied the provisions of IFRS No. 1 – first-time adoption of the International Financial Reporting Standards, availing of the following options in the preparation of the opening balance sheet:

- Business Combinations: the Group did **not** apply IFRS 3 in retrospective manner to the acquisition of companies before the transition date to IFRS;
- Measurement of property, plant and machinery and of intangible assets at fair value or, alternatively, at revalued cost as replacement value of the cost: The Group **has** recorded some fixed assets at fair value at the transition date to IFRS.

Reference should be made to the Appendix relating to the "Transition to international accounting standards" for further analysis of the impact of the adoption of the IFRS.

### Reconciliation of the results and of the shareholders' equity

| (in thousands of Euro) | Note | Net equity June 30, 2005 *Group and minority interest* | Net profit June 30, 2005 *Group and minority interest* |
|---|---|---|---|
| **Italian GAAP** | | **682,208** | **30,659** |
| Adjustments: | | | |
| Goodwill and other assets with indefinite life | a | 7,095 | 2,075 |
| Property, plant and equipment & investment property | b | 140,241 | (817) |
| Financial Instruments | c | 713 | 713 |
| Inventories | d | 5,576 | (391) |
| Other non-current provisions | e | (2,875) | 73 |
| Other adjustments | f | 87 | 12 |
| Fiscal effects of the adjustments | g | (64,268) | 1,331 |
| **Total adjustments net of fiscal effect** | | **86,569** | **2,996** |
| **IAS/IFRS** | | **768,777** | **33,655** |

### a) Goodwill and other assets with definite life

In accordance with IFRS, goodwill and consolidation differences are no longer subject to amortisation, but periodically undergo an impairment test in order to identify any loss in value.
*The new measurement criteria results in a positive effect on the result at June 30, 2005, equal to Euro 2,075 thousand, and on the net equity at June 30, 2005 equal to Euro 7,095 thousand.*

### b) Property, plant and equipment & Investment property

The IFRS also provide that in relation to the presence of a group of assets, or rather assets composed of components of significant value with different useful lives, different depreciation rates should be used. For these assets, previously recorded and depreciated in a single

category in accordance with Italian GAAP, the components having different useful lives were identified and the relative depreciation was recalculated.
*The application of the new depreciation criteria results is a negative effect on the result at June 30, 2005 of Euro 817 thousand and on the net equity at June 30, 2005 of approx. Euro 140,241 thousand.*

**c) Financial Instruments**
The Group holds derivative financial instruments in order to cover its exposure to the risk of interest rate changes. Therefore, as a consequence of the omission at the subscription date of some of the formal requisites required by IFRS, the changes in the fair value relating to these derivative instrument operations are recognised in the income statement. *The effect of the measurement at market value of these instruments resulted in a total positive effect on the result and net equity at June 30, 2005 of approximately Euro 713 thousand.*

**d) Inventories**
The value of the inventories adopting the FIFO method resulted in a *negative effect on the result at June 30, 2005, of approx. Euro 391 thousand and a positive effect on the net equity at June 30, 2005 of approx. Euro 5,576 thousand.*

**e) Other non-current provisions**
IFRS requires that provisions for risks and charges must be recorded only when there is a binding past event and the company does not have a realistic alternative but to comply with the obligation.
In addition, IFRS requires that the dismantling and restoration charges of the production sites, to be incurred by the end of the production activity, are recorded at their current value as a component of the initial cost of the assets. The corresponding liability is recorded, in the period in which it arises, as a liability against the related assets. The capitalised cost is charged to the income statement over the life of the relative fixed assets through the amortisation process.
*The effect of these adjustments on the results was an overall positive effect on the result at June 30, 2005 of Euro 73 thousand and a negative effect on the net equity at June 30, 2005 of Euro 2,875 thousand.*

**f) Other adjustments**
The total other adjustments result in a negative net effect of an insignificant amount and principally relate to the discounting of financial payables, the reversal of formation and start-up costs (as under IFRS they may not be capitalised) and the actuarial calculation of the employee leaving indemnity).

**g) Tax effect**
The account refers to the tax effect determined (where applicable) on the adjustments made and in accordance with the provisions of IFRS, as previously indicated, on the deferred tax liability provision generated in previous years following the revaluation of the non-monetary items in accordance with IAS 29.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

REPORT OF THE INDEPENDENT AUDIT FIRM AS PER ARTICLE 156 OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998

To the shareholders of
Cementir – Cementerie del Tirreno SpA

1. We have audited the consolidated financial statements of Cementir – Cementerie del Tirreno S.p.A. and its subsidiaries (Cementir group) as of December 31, 2005. These consolidated financial statements are the responsibility of Cementir – Cementerie del Tirreno SpA.'s Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements were prepared for the first time in accordance with International Financial Reporting Standards adopted by the European Union.

2. We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior period, which are presented for comparative purposes, were prepared in accordance with the same standards with the exception of IAS 32 and 39 which, in accordance with the choice permitted by IFRS 1, were applied from January 1, 2005.
   In addition, an attachment to the explanatory notes shows the effects of the transition to the International Financial Reporting Standards adopted by the European Union and the information relating to the reconciliation schedules required by IFRS 1, previously approved and published together with the half-year report audited by us, for which reference should be made to our report issued on September 12, 2005.

3. In our opinion, the consolidated financial statements of the company Cementir – Cementerie del Tirreno SpA and its subsidiaries as of December 31, 2005 and in accordance with International Financial Reporting Standards adopted by the European Union, give a true and fair view of the financial position and of the results of the Cementir Group.

Rome, April 4, 2006

PricewaterhouseCoopers SpA

Luciano Festa
(Revisore contabile)

# Directors' report on operations

## Economic Performance

The year 2005 ended with net sales of Euro 196.4 million (Euro 205.2 million in 2004). Ebitda amounted to Euro 34.1 million (Euro 63.6 million in 2004). The year just ended saw a decrease in margins due to an increase in energy costs combined with a decrease in the price/volumes mix on the Italian market. At the end of the third quarter there were signs of a reversal in the trend which continued into the fourth quarter which, although in the presence of adverse climatic conditions and the normal contraction of the demand for cement in the period, saw a recovery in the market.

## Balance sheet

Shareholders' Equity at December 31, 2005 amounted to Euro 598.6 million compared to Euro 510.4 million at December 31, 2004. The significant increase in net equity is principally due to the revaluation made on the assets net of the relative substitute taxation provision. The residual increase is due to the gains realised in the year of Euro 8.7 million, net of the dividends distributed in 2005 (Euro 11.1 million).
The capital expenditure investments made by Cementir in the year amounted to approximately Euro 10 million and related to the rationalisation, modernisation and maintenance of the factories and the updating of the ecological plant.
The employees of Cementir at December 31, 2004 amounted to 565, consisting of 18 executives, 219 managers and white collar staff and 328 blue collar workers (551 employees at December 31, 2004).

### Performances of the principal Group companies

*Aalborg Portland Group (Denmark)*

The Aalborg Portland Group recorded net sales of Euro 246.5 million (+8% compared to 2004) and an Ebitda of Euro 73.2 million (+4% compared to 2004).
The year, the first since the acquisition in 2004, fully confirmed expectations, not only in terms of company performance, but also based on the high level of know-how gained that has enriched the Group.
Aalborg Portland in the world leader in the production of white cement, and has acquired this leadership position through its research activities. In fact, the company has a state-of-the-art Research Centre, through which, in addition to developing the quality of its products, it has carried out important energy saving and environment protection projects. In particular, the subsidiary CemMiljo produces alternative fuels utilising raw materials from industrial and organic waste, thus permitting Aalborg Portland to partially substitute fossil fuels with biological fuels and thus significantly reducing emissions of $CO_2$.

*Unicon Group (Denmark)*

The Unicon Group recorded net sales of Euro 264.2 million (+28% compared to 2004) and an Ebitda of Euro 33.3 million (+24% compared to 2004).
The year 2005 was a year of great satisfaction for Unicon, which significantly improved on its budget objectives: the improvement compared to that budgeted was in fact around 20%.
The Unicon group was also very much involved in investment activities in 2005, and among the noteworthy operations was the agreement for the acquisition of 4K-Beton, the second largest ready-mix producer in Denmark, with the simultaneous sale of two companies in

Poland, the acquisition of the US company Vianini Pipe Inc. and the outsourcing of transport (180 vehicles and 220 drivers) through the creation of a 50% joint venture.

*Cimentas Group (Turkey)*

The Cimentas Group ended the year with net sales of Euro 147.9 million (+26.72% compared to 2004) and an Ebitda of Euro 40.6 million (+51.9 % compared to 2004).
These results are due to the continual good performance in the Turkish market and the success of the reorganisation and rationalisation activities implemented with the acquisition of Cimentas by Cementir in 2001.
Among the most important events in 2005 for Cimentas was the acquisition in December of the Edirne factory, located close to Istanbul and neighbouring Bulgaria and Greece, following the awarding of an international tender. The operation resulted in an investment of USD 166.5 million. Another event of industrial importance was the increase in the cement production capacity in the factory at Izmir by approximately 500,000 tonnes. The combination of these two operations increased the production capacity of the Group in Turkey to approximately 4 million tonnes of cement annually. This increased presence confirms the importance of the country to the Group.

*Other minor companies*

Calcestruzzi Picciolini S.p.A. closed the year ended October 31, 2005 with a net profit of Euro 145 thousand (Euro 781 thousand at October 31, 2004). At the year end, the number of employees was 10.
The subsidiary Intercem S.A. for the year ended November 30, 2005 recorded a net profit of Euro 2.8 million (Euro 11.6 million at November 30, 2004).
The associated company Speedybeton S.p.A. (Cementir S.p.A. 30%) continued its activity in the Lazio area and recorded a net profit of Euro 0.9 million for the year ended December 31, 2005 (Euro 1.3 million at December 31, 2004).

## Significant events in the year

Among the most significant events in the year, as already commented upon, was the acquisition by Cimentas of the factory at Edirne in Turkey for USD 166.5 million, the increase in the production capacity of 500,000 tonnes of cement annually in the factory at Izmir again by Cimentas, the agreement for the acquisition by Unicon of 4K-Beton in Denmark and the simultaneous sale of two companies in Poland and the acquisition by Unicon of Vianini Pipe Inc. in the USA, the outsourcing of transport by Unicon and finally the incorporation of a company in Russia for the distribution of white cement by Aalborg Portland.

## ***Transactions with related parties***

In relation to the "related party" disclosure requirements as defined by CONSOB recommendation No. 2064231 of 30/09/2002, there were no atypical and/or unusual transactions.
During the year, Cementir S.p.A. received total dividends of Euro 5,543 thousand from holdings in Cimentas, Alfacem S.r.l. and Speedybeton S.p.A, respectively of Euro 715 thousand, Euro 4,589 thousand and Euro 239 thousand.
Normal operating transactions, which have existed for some time, continue with companies under the control of the majority shareholder (Caltagirone S.p.A.), which are habitual and traditional customers of the Company. In particular Vianini Lavori S.p.A. and Vianini Industria S.p.A. have respectively purchased 15,304 and 3,599 tonnes of cement in 2005 at market prices (a total of 9,617 tonnes in 2004).
Transactions of a commercial, technical and financial nature exist with some subsidiaries, as further illustrated in the notes to the financial statements.

In particular, the table below shows the balances at December 31, 2005 with subsidiary and associated companies; the balances relating to subsidiary companies were eliminated from the consolidated balance sheet and income statement;

(in thousands of Euro)

| | Financial receivables | Trade receivables | Total |
|---|---|---|---|
| Subsidiary companies: | | | |
| Intercem S.A. | 69,909 | - | 69,909 |
| Cimentas A.S. | 42,384 | 382 | 42,766 |
| Calcestruzzi Picciolini S.p.A. | 3,864 | 622 | 4,486 |
| Cementir Delta S.p.A. | 224,588 | - | 224,588 |
| Aalborg Portland A.S. | - | 1,188 | 1,188 |
| Unicon A.S. | - | 1,000 | 1,000 |
| Total | 340,745 | 3,192 | 343,937 |
| Associated companies: | | | |
| Speedybeton S.p.A. | - | 495 | 495 |
| Total | 340,745 | 3,687 | 344,432 |

(in thousands of Euro)

| | Financial payables | Trade payables | Total |
|---|---|---|---|
| Subsidiary companies: | | | |
| Calcestruzzi Picciolini S.p.A. | - | 11 | 11 |
| Cementir Espana SL | 3,075 | - | 3,075 |
| Alfacem S.r.l. | 521 | 3 | 524 |
| Total | 3,596 | 14 | 3,610 |

The transactions in the year are detailed below:

| | (in thousands of Euro) |
|---|---|
| Revenues from sales and services: | |
| Calcestruzzi Picciolini S.p.A. | 1,161 |
| Cimentas A.S. | 1,108 |
| Unicon A.S. | 1,040 |
| Aalborg Portland A.S. | 1,345 |
| Speedybeton S.p.A. | 643 |
| | 5,297 |
| Purchase of raw material, semi-finished and finished products: | |
| Cimentas A.S. | 1,160 |
| | 1,160 |
| Interest charge: | |
| Cementir Espana S.L. | 5 |
| Alfacem S.r.l. | 25 |
| | 30 |

In relation to the revenues invoiced to the subsidiary Calcestruzzi Piccolini S.p.A. and to the associated companies Speedybeton S.p.A., they relate to the sale of cement at normal market conditions. The revenues from the subsidiary Cimentas, Aalborg Portland and Unicon relate to the provision of coordination services, consultancy and personnel.
The purchases from the subsidiary Cimentas A.S. relate to the supply of cement at normal market conditions.
In 2005, the Parent Company received rental income from Caltanet S.p.A. of Euro 12 thousand and from B2 Win S.p.A. of Euro 415 thousand.
The company also incurred expenses for the rental of the building at Corso di Francia, headquarters of the company, of Euro 1,305 thousand from a company under common control, which is owner of the building.

## *Research and development activities*

The Company's Research Centre activities are directed at research and studies of cement and ready-mix concrete as well as quality control of the Group's products, raw materials and fuel used in the production process.

## Secondary place of business

In accordance with article 2428 of the Civil Code, the secondary places of business of the company are listed below:

- Factory at Maddaloni
- Factory at Naples
- Factory at Spoleto
- Factory at Taranto
- Factory at Arquata Scrivia
- Distribution Centre at Reggio Calabria
- Distribution Centre at Civitavecchia

- Distribution Centre at Crotone
- Sales office at Maddaloni
- Sales office at Rome
- Sales office at Spoleto
- Sales office at Taranto
- Sales office at Arquata Scrivia
- Sales office at Reggio Calabria

## *Treasury shares and/or shares or quotas of holding companies*

At December 31, 2005, Cementir does not hold any treasury shares.
As December 31, 2005, Cementir and its subsidiaries did not possess, either directly or indirectly, shares or quotas in holding companies, nor have they purchased or sold shares or quotas of holding companies in the year.

## *Revaluation of assets*

In accordance with law 266/2005, some assets of the company were revalued in the financial statements; in particular production plant.
The revaluation was made within the limits attributed to the assets, taking into consideration the quantity, production capacity and effective possibility of economic utilisation by the company, thus revaluating the historical costs. The positive balance, net of the substitute tax, was recorded in a specific capital reserve account in shareholders' equity. The total effect of the revaluation amounted to Euro 103 million; the substitute tax of approximately 12% amounted to Euro 12.3 million. The net value, therefore, attributed to the revaluation reserve, was Euro 90.4 million.

## Subsequent events and business outlook

On March 2, 2006, the purchase was completed of 4K-Beton, the second-largest cement producer in Denmark, by the subsidiary Unicon. Simultaneously, in accordance with the agreement signed in December, Unicon sold to the Cemex Group two companies in Poland, also operating in ready-mix and its derivatives. The value of the operation established a difference to be paid of Euro 9.5 million to the Cemex Group. Both 4K-Beton and the two Polish companies which were sold had net financial positions equal to zero in the closing phase, in line with the agreements.
Also in March, Aalborg Portland increased its holding in the Egyptian company Sinai White Portland Cement Company, from 45.74% to 57.14%. The investment amounted to Euro 6.6 million and significantly strengthens the presence of the Group in Egypt, where it has considerable strategic importance.
There were no other significant events to report after the balance sheet date.
In relation to the outlook for the current year, it is considered that the Italian activities, which suffered to a greater extent in 2005, can continue the recovery seen at the end of the year. The budget figures for 2006 indicate an improvement in turnover and in Ebitda compared to 2005. The expectations for the other principal geographic areas in which the Group operates are similar: given the positive expectations in the markets in which the group operates, and the acquisitions towards the end of 2005 and the beginning of 2006, it is expected that the results will be better than the previous year.

## *Proposal for the allocation of the net profit for the year*

The Board of Directors Proposal to the Shareholders' Meeting:

- to approve the Directors' Report on operations for the year ended December 31, 2005, the balance sheet, the income statement and the notes thereto.
- to distribute to the Shareholders a total dividend of Euro 13,525,200, that is a dividend of Euro 0.085 per ordinary share, utilising the net profit for the year of Euro 8,741,733 and, for the remainder, equal to Euro 4,783,467 utilising retained earnings carried forward.

**CEMENTIR S.p.A.**

**BALANCE SHEET**
**(amounts in Euro)**

**ASSETS**

| | AS AT 31/12/2005 | | AS AT 31/12/2004 | |
|---|---|---|---|---|
| | Sub-total | Total | Sub-total | Total |
| ***A) UNPAID SHARE CAPITAL*** | | **0** | | **0** |
| ***B) FIXED ASSETS*** | | | | |
| I. Intangible assets | | | | |
| 1. Other intangible assets | | 379,976 | | 165,513 |
| 2. Assets in progress and payments on account | | 1,835,579 | | 755,127 |
| **Total intangible fixed assets** | | **2,215,555** | | **920,640** |
| II. Tangible fixed assets | | | | |
| 1. Land and buildings | | 24,137,700 | | 25,792,245 |
| 2. Plant and equipment | | 142,450,765 | | 62,616,588 |
| 3,.Industrial and commercial equipment | | 236,360 | | 282,001 |
| 4. Other assets | | 490,189 | | 472,748 |
| 5. Assets in progress and payments on account | | 6,975,360 | | 4,949,668 |
| **Total tangible fixed assets** | | **174,290,374** | | **94,113,250** |
| III. Financial assets | | | | |
| 1, Equity investments in | | 210,334,468 | | 210,334,468 |
| a) subsidiary companies | 205,362,073 | | 205,362,073 | |
| b) associated companies | 2,478,993 | | 2,478,993 | |
| b) other companies | 2,493,402 | | 2,493,402 | |
| 2, Receivables: | | 309,110 | | 319,688 |
| a) from others | 309,110 | | 319.688 | |
| 3. Treasury Shares | | 0 | | 0 |
| **Total financial fixed assets** | | **210,643,578** | | **210,654,156** |
| ***TOTAL B) FIXED ASSETS*** | | **387,149,507** | | **305,688,046** |
| ***C) CURRENT ASSETS*** | | | | |
| I. Inventories | | | | |
| 1. Raw materials, supplies and con. stores | | 13,570,445 | | 13,651,931 |
| 2. Semi-finished products | | 3,363,461 | | 4,371,079 |
| 3. Finished products and goods for resale | | 5,048,104 | | 6.221.911 |
| **Total inventories** | | **21,982,010** | | **24,244,921** |
| II. Receivables | | | | |
| 1. Trade receivables | | 73,634,141 | | 69.993.704 |
| 2. Subsidiary companies | | 343,936,927 | | 300.770.289 |
| 3. Associated and other companies | | 495,280 | | 352.698 |
| 4 Bis. Tax receivables | | 346,693 | | 2.481.065 |
| 4 Ter. Deferred tax asset | | 35,927,296 | | 34.872.408 |
| 5. Others | | 208,212 | | 161.407 |
| **Total Receivables** | | **454,548,549** | | **408,631,571** |
| III. Current financial assets | | 0 | | 0 |
| **Total current financial assets** | | **0** | | **0** |
| IV. Cash and cash equivalents | | | | |
| 1. Bank and postal deposits | | 7,637,254 | | 1.621.939 |
| 2 Cash and cash equivalents | | 17,480 | | 169.395 |
| **Total cash and cash equivalents** | | **7,654,734** | | **1,791,334** |
| ***TOTAL C) CURRENT ASSETS*** | | **484,185,293** | | **434,667,826** |
| ***D) PREPAYMENTS AND ACC. INCOME*** | | **949,651** | | **1,024,762** |
| ***TOTAL ASSETS (A+B+C+D)*** | | **872,284,451** | | **741,380,634** |

## *CEMENTIR S.p.A.*

***BALANCE SHEET***
***(amounts in Euro)***

***LIABILITIES & EQUITY***

| | AS AT 31/12/2005 | | AS AT 31/12/2004 | |
|---|---|---|---|---|
| | Sub-total | Total | Sub-total | Total |
| ***A) SHAREHOLDERS' EQUITY*** | | | | |
| I. Share capital | | 159,120,000 | | 159,120,000 |
| II. Share premium reserve | | 22,710,275 | | 15,052,270 |
| III. Revaluation reserve | | 188,367,244 | | 97,732,271 |
| IV. Legal reserve | | 31,824,000 | | 7,858,617 |
| V. Statutory reserves | | 0 | | 0 |
| VI. Reserve for treasury shares in portfolio | | 0 | | 0 |
| VII. Other reserves | | 26,363,921 | | 26,357,945 |
| a) Capital grants | 13,206,921 | | 13,206,921 | |
| b) Reserve art. 15 Law 113/88 no, 67 | 138,375 | | 138,375 | |
| c) Reserve for treasury shares | 13,000,000 | | 13,000,000 | |
| e) Reserve Law 349/95 Art,11 | 18,625 | | 12,649 | |
| VIII. Retained earnings | | 161,535,287 | | 0 |
| IX. Result for the year | | 8,741,733 | | 204,297,075 |
| ***TOTAL A) NET EQUITY*** | | **598,662,460** | | **510,418,178** |
| ***PROVISIONS FOR RISKS AND CHARGES*** | | | | |
| 1. For taxation including deferred taxes | | 3,986,377 | | 11,420,287 |
| 2. Other provisions | | 2,417,857 | | 257,354 |
| ***TOTAL B) PROVISIONS RISKS AND CHARGES*** | | **6,404,234** | | **11,677,641** |
| ***C) EMPLOYEE LEAVING INDEMNITY*** | | **7,925,635** | | **7,624,215** |
| ***D) PAYABLES*** | | | | |
| 1. Payables to bank | | 134,533,072 | | 98,289,933 |
| a) due within one year | 119,203,999 | | 82,351,993 | |
| b) due beyond one year | 15,329,073 | | 15,937,940 | |
| 2. Other lenders | | 39,007,780 | | 39,007,780 |
| due within the subsequent financial year due within the subsequent financial year | 7,801,556 | | 0 | |
| b) due beyond one year | 31,206,224 | | 39,007,780 | |
| 3. Trade payables (1) | | 59,599,194 | | 59,422,042 |
| 4. Subsidiaries (1) | | 3,609,651 | | 6,210,005 |
| 5. Tax payables (1) | | 16,239,265 | | 1,273,997 |
| 6. Social security institutions (1) | | 1,280,124 | | 1,201,437 |
| 7. Other payables (1) | | 3,008,912 | | 3,893,135 |
| ***TOTAL D) PAYABLES*** | | **257,277,998** | | **209,298,329** |
| ***E) ACCRUALS AND DEFERRED INCOME*** | | **2,014,124** | | **2,362,271** |
| ***TOTAL LIAB. & EQUITY (A+B+C+D+E)*** | | **872,284,451** | | **741,380,634** |

***CEMENTIR S.p.A.***

***MEMORANDUM ACCOUNTS***

***(amounts in Euro)***

| | **AS AT 31/12/2005** | **AS AT 31/12/2004** |
|---|---|---|
| Goods or assets held in deposit by the company | 44,787 | 41,561 |
| Goods or assets in deposit or use held by third parties | 1,084,361 | 1,827,850 |
| Shares to deliver to ex Calabrie shareholders | 855 | 855 |
| Shares without valuable consideration to be delivered | 38,729 | 38,729 |
| Pledges and mortgages in favour of third parties | 16,234,761 | 16,526,621 |
| Guarantees received from third parties | 5,101,971 | 4,536,575 |
| Guarantees in favour of third parties | 95,345,134 | 10,740,012 |
| ***TOTAL MEMORANDUM ACCOUNTS*** | **117,850,598** | **33,712,203** |

## *CEMENTIR S.p.A.*

### *INCOME STATEMENT*
### *(amounts in Euro)*

| | 2005 | | 2004 | |
|---|---|---|---|---|
| | Sub-total | Total | Sub-total | Total |
| ***VALUE OF PRODUCTION*** | | | | |
| 1. Revenues from sales and services | | 198,579,408 | | 203,875,029 |
| 2. Changes in inventory of products in course of production, semi finished and finished | | (2,181,425) | | 1,365,063 |
| 3. Change in contract work in progress | | 0 | | 0 |
| 4. Increase in fixed assets built internally | | 87,135 | | 517,049 |
| 5. Other income and revenues | | 718,784 | | 778,964 |
| ***TOTAL A) VALUE OF PRODUCTION*** | | **197,203,902** | | **206,536,105** |
| ***B) COSTS OF PRODUCTION*** | | | | |
| 6. Raw materials, supplies and consumables | | (87,024,194) | | (78,822,087) |
| 7. For services | | (46,374,968) | | (40,044,976) |
| 8. Rents, leases and similar | | (1,532,617) | | (424,886) |
| 9. Personnel costs | | (25,844,978) | | (22,569,248) |
| a) salaries and wages | (18,057,968) | | (15,355,234) | |
| b) social security contributions | (6,060,380) | | (5,586,415) | |
| c) employee leaving indemnity | (1,294,792) | | (1,098,895) | |
| d) other costs | (431,838) | | (528,704) | |
| 10. Amortisation, depreciation and write-downs | | (32,901,813) | | (57,583,340) |
| a) amortisation of intangible fixed assets | (117,375) | | (53,010) | |
| b) depreciation of tangible fixed assets | (32,400,060) | | (57,164,611) | |
| c) write-down in current assets | (384,378) | | (365,719) | |
| 11. Change in inventory of raw materials, ancillary and consumables | | (81,486) | | 731,329 |
| 12. Provision for risks | | (2,160,627) | | (153,129) |
| 13. Other provisions | | 0 | | 0 |
| 14. Other operating charges | | (2,198,381) | | (3,121,260) |
| ***TOTAL COSTS OF PRODUCTION*** | | **(198,119,064)** | | **(201,987,597)** |
| ***Diff. between the value and cost of production (A-B)*** | | **(915,162)** | | **4,548,508** |
| ***C) FINANCIAL INCOME AND CHARGES*** | | | | |
| 15. Income from equity investments: | | 5,543,048 | | 34,949,658 |
| a) subsidiary companies | 5,303,648 | | 1,321,999 | |
| b) associated companies | 239,400 | | 117,000 | |
| c) other companies | 0 | | 1,080,000 | |
| d) gains on sale of equity holdings | 0 | | 32,430,659 | |
| 16. Other financial income | | 1,245,162 | | 2,100,794 |
| a) other income | 1,245,162 | | 2,100,794 | |
| 17. Interest and other financial charges | | (3,971,260) | | (3,056,341) |
| a) banks and financial institutions | (3,601,144) | | (2,548,212) | |
| b) subsidiaries | (30,190) | | (22,311) | |
| c) other charges | (339,926) | | (416,457) | |
| d) losses on sales of equity holdings | 0 | | (69,361) | |
| 17 bis. Exchange gains and losses | | 2,200,027 | | 190,900 |
| ***TOTAL FINANCIAL INCOME AND CHARGES*** | | **5,016,977** | | **34,185,011** |
| ***D) ADJUSTMENT OF VALUE OF FINANCIAL ASSETS*** | | | | |
| 18. Revaluations | | 0 | | 0 |
| 19. Write-downs | | 0 | | 0 |
| ***TOTAL D) ADJUSTMENTS TO THE VALUE OF*** | | **0** | | **0** |
| ***EXTRAORDINARY INCOME AND CHARGES*** | | | | |
| 20. Income | | 242,192 | | 180,160,587 |
| a) gains on asset disposals | 2,533 | | 10,478,922 | |
| b) other income | 239,659 | | 169,681,665 | |
| 21. Charges | | (677,538) | | (10,468,526) |
| a) losses on asset disposals | 0 | | (3,502) | |
| b) other charges | (677,538) | | (10,465,024) | |
| ***EXTRAORDINARY INCOME AND CHARGES*** | | **(435,346)** | | **169,692,061** |
| ***PRE-TAX RESULT*** | | **3,666,469** | | **208,425,580** |
| 22. Income tax | | 5,075,264 | | (4,128,505) |
| a) current income tax | (3,413,534) | | 291,517 | |
| b) deferred tax charge | 7,433,910 | | (3,409,952) | |
| c) deferred tax income | 1,054,888 | | (1,010,070) | |
| **23. Profit for the year** | | **8,741,733** | | **204,297,075** |

# NOTES TO THE FINANCIAL STATEMENTS
# at December 31, 2005

## STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS

The financial statements were prepared in accordance with the civil code and consist of the Balance Sheet (prepared in accordance with the format required by articles 2424 and 2424 bis of the Italian Civil Code), the Income Statement (prepared in accordance with the format required by articles 2425 and 2425 bis of the Italian Civil Code) and the Notes to the Financial Statements.
The notes to the financial statements have the function of providing illustration, analysis and for some aspects serve as an integral part of the information within the financial statements and contain the information requested by Article 2427 of the Civil Code, other requirements of law and the recommendations of CONSOB. In addition, all of the complementary information considered necessary in order to provide a true and fair view is included, even if not required by specific provisions of the legislation.
The financial statements were prepared in accordance with the provisions of the O.I.C. No. 1 document issued by the Italian Accounting Organisation in accordance with Legislative Decree No. 6 of January 17, 2003 in relation to the valuation of the accounts and of the new accounts required for the Balance Sheet and Income Statement.

## ACCOUNTING PRINCIPLES

The financial statements were prepared based on current legislation and the accounting principles as contained in article 2426 of civil code, in accordance with the general criteria of prudence and accruals and on a going concern basis and taking into consideration the economic functions of assets and liabilities.
For the most important accounts in the Balance Sheet and Income Statement, the accounting principles adopted are as follows:

### *Intangible assets*

Intangible fixed assets are recorded at purchase or production cost and reflect the residual value of expenses with utility in future years.
Amortisation is applied on a straight-line basis as a deduction of the cost within a maximum period of five years and is determined according to the estimated useful life of the assets.
Formation and start-up costs are recorded with the approval of the Statutory Auditors.

### *Tangible fixed assets*

Tangible fixed assets are stated at purchase or production cost as adjusted for certain assets in application of monetary revaluations, as shown in the schedule attached. Cost includes any related charges and direct and indirect costs reasonably attributable to the assets in question.
Depreciation is calculated on a straight-line basis for categories of similar assets over their estimated useful lives.
In the case of a permanent impairment in value, in addition to accumulated depreciation, the asset is written down by a corresponding amount. The original value is reinstated in future years should the reason for the write-down no longer exist, adjusted solely to take account of depreciation.
Depreciation is classified as direct deductions on the value of the assets to which they refer.
The land on which the industrial premises are built is depreciated at the same rate as the buildings.

The ordinary depreciation rates applied are shown below:

| | |
|---|---|
| Buildings | 3% |
| Industrial buildings | 5.5% |
| Light structures | 10% |
| General and specific plant | 12.5% |
| Furnaces and accessories | 15.5% |
| Other equipment | 25% |
| Site elevators | 25% |
| Ships | 9% |
| Transport vehicles | 20% |
| Motor vehicles and similar | 25% |
| Office furniture and machines | 12% |
| EDP | 20% |
| Land and quarry buildings: | |
| • For purchases to 31.12.1988 | 4% |
| • For purchases made in 1989 | 8% |
| Machinery | 10% |
| Quarry vehicles | 25% |
| Other excavating machinery | 30% |

*Financial assets*

**EQUITY INVESTMENTS**

Equity investments are valued at cost; the cost value is determined based on the acquisition or subscription cost, or the value attributed to the assets conferred.
The cost is reduced for permanent impairment in values where any losses are not expected to be covered by profits in the immediate future; the original value is written back in successive years when the conditions for their write-down no longer exist.

*Inventories*

Inventories are valued at the lower of purchase and/or production price and the estimated realisable value based on market values at the balance sheet date.
The cost configuration adopted is the LIFO method on an annual basis and is determined as follows:

- raw materials, other materials, consumables and maintenance: at purchase cost, including accessory charges;
- finished and semi-finished products: at production cost, including all the materials, energy, labour and other direct and indirect manufacturing costs, including the depreciation of production plant.

*Receivables*

Receivables are recorded in the financial statements at their estimated realisable value.

*Cash and cash equivalents*

Cash and cash equivalents are valued at nominal value at the year-end.

*Prepayments and accrual*

Prepayments and accruals are determined with reference to the accruals concept, so as to reflect the relevant quota of costs and revenues relating to more than one period.

*Provisions for risks and charges*

Provisions for risks and charges are recorded in respect of certain or probable losses or liabilities, the amount or due date of which could not be determined at year-end.
The provisions made reflect the best possible estimates on the basis of the information available.

*Employee leaving indemnity provision*

This complies with regulations in force and refers to the total liabilities due to all employees at the year-end. This liability is subject to revaluations based on indices.

*Payables*

These are recorded at their nominal value.

*Recognition of revenues*

Revenues from the sale of products are recognised at the time of change in ownership, generally coinciding with the shipment.

*Grants*

Grants received up to 1997 on the plant are recorded in an appropriate net equity reserve in partial suspension of taxes.
The amounts subsequent to this date are recorded, regardless of the date of receipt, under deferred income and credited to the income statement in correlation to the depreciation applied on the assets for which the grants were received.
The portion of the grants recorded in the year relating to depreciation on assets already recorded in preceding years is recorded under extraordinary income.

*Income Taxes*

Income taxes for the year have been calculated on the basis of estimated assessable income, in accordance with provisions in force and taking account of any applicable exemptions and tax credits due.
Deferred tax assets and liabilities are calculated on the timing differences between the assessable taxable income and the result for statutory purposes.

*Translation criteria used for recording currencies other than the Euro*

The foreign currency assets and liabilities at December 31, with the exception of fixed assets, are recorded at the exchange rate at the end of the year.

The exchange rate differences are directly recorded in the income statement. If a net gain arises on the conversion of receivables and payables in foreign currencies at the year end, this is recorded in a specific non-distributable reserve until its realisation.

## Other Information

*Exceptions under the 4th paragraph of Article 2423 of the Civil Code*

In accordance with the 4th paragraph of Article 2423 of the Civil Code, there have been no exceptional matters relating to the exemptions contained therein.

*Group Consolidated Financial Statements*

The Company prepares the consolidated financial statements of the Group in accordance with Legislative Decree 127/91 that introduced the EC Directive VII into Italian legislation.
The consolidated financial statements, prepared in accordance with IAS/IFRS standards, have the purpose of providing further information on the balance sheet, financial position and results of the Group.

# Balance Sheet

## Comments on the principal balance sheet asset accounts

<u>*Fixed assets*</u>

The total value of fixed assets increased in the year by Euro 81,462 thousand, increasing from Euro 305,688 thousand to Euro 387,150 thousand and includes the following accounts:

*Intangible assets*

Intangible assets, amounting to Euro 2,216 thousand, principally comprise the residual value of the costs incurred for the purchase and implementation of the data processing system SAP R3 of Euro 296 thousand and leasehold improvements amounting to Euro 1,836 thousand.
A statement showing the changes during the year in the individual accounts is attached.

*Tangible assets*

Net tangible assets, equal to Euro 174,290 thousand, recorded an increase of Euro 80,177 thousand resulting from:

| | *(in thousands of Euro)* |
|---|---|
| Purchases and services from third parties | 9,505 |
| Increases for internal work | 87 |
| Net disposals | (9) |
| Revaluation Law 266/2005 | 102,994 |
| Depreciation for the year | (32,400) |
| | (80,177) |

The investments made in tangible fixed assets in 2005 related to all of the factories of the company and principally concerned the rationalisation, modernisation and maintenance of all the factories, as well as the up-dating of the ecological plant. In addition, particular care and attention was placed on maintenance activities to guarantee the functioning of the plant.
Depreciation was calculated on the fixed assets on a straight line basis for each category of assets at the depreciation rates indicated in the accounting principles.
In accordance with law 266 of 2005, the revaluation was made of all assets belonging to the categories "Furnaces and accessories", " General plant" and" Specific plant" for Euro 102,994 thousand. This revaluation, on which no depreciation was made in the year in accordance with the experts valuation taking into consideration the quantity, production capacity and effective possibility of economic utilisation by the company in revaluing the historical costs, including those fully depreciated.
In accordance with the provisions of article 10 of Law 72/83, the details of revaluations are provided in the table below:

*(in thousands of Euro)*

| | L. 576/75 | L. 72/83 | L. 413/ 91 | L. 342/ 2000 YEAR 2000 | L. 342/ 2000 YEAR 2003 | L. 266/ 2005 | TOTAL |
|---|---|---|---|---|---|---|---|
| Land and buildings | 0 | 114 | 84 | 0 | 0 | 0 | 198 |
| Land and industrial buildings | 2,904 | 11,351 | 13,185 | 0 | 0 | 0 | 27,440 |
| Plant, machinery & equipment | 6,773 | 30,029 | 4,028 | 179,599 | 44,752 | 102,994 | 368,175 |
| Other fixed assets | 6 | 55 | 0 | 0 | 0 | | 61 |
| **Total** | **9,683** | **41,549** | **17,297** | **179,599** | **44,752** | **102,994** | **395,874** |

Tangible fixed assets are mortgaged for a total amount of approximately Euro 25 million and are pledged to guarantee medium and long-term loans, the residual amount of which are approximately Euro 16.2 million at December 31, 2005.
A statement showing the changes during the year in the individual accounts is attached.

*Financial assets*

They relate to:

*(in thousands of Euro)*

| | 2005 | 2004 | CHANGES |
|---|---|---|---|
| 1) Equity investments in: | | | |
| a) subsidiary companies | 205,362 | 205,362 | 0 |
| b) associated companies | 2,479 | 2,479 | 0 |
| c) other companies | 2,493 | 2,493 | 0 |
| | 210,334 | 210,334 | 0 |
| 2) Receivables: | | | |
| a) from others | 309 | 320 | (11) |
| | **210,643** | **210,654** | **(11)** |

At the end of 2005, the investments in subsidiary and associated companies, in accordance with article 2426 of the Civil Code are illustrated below:

*(in thousands of Euro)*

| Company | Year end | Share capital | Shareholders' equity: Total amount | Shareholders' equity: Pro-quota amount (A) | Result for the year: Total amount | Result for the year: Pro-quota amount | % held | Book value (B) | Value ex art. 2426 Civil Code | Differenc e (B) - (C) |
|---|---|---|---|---|---|---|---|---|---|---|
| *Subsidiary companies:* | | | | | | | | | | |
| - Cementir Delta S.p.A. Rome | 31/12/2005 | 38,218 | 118,409 | 118,291 | (131) | (131) | 99.9 | 38,217 | 118,291 | (80,074) |
| - Intercem S.A. Luxembourg | 30/11/2005 | 100 | 14,427 | 14,283 | 2,783 | 2,755 | 99.0 | 120,354 | 14,412 | 105,942 |
| - Alfacem S.r.l. Rome | 31/12/2005 | 1,010 | 85,842 | 850 | (9) | 0 | 0.99 | 221 | 850 | (629) |
| - Calcestruzzi Picciolini S.p.A. Rome | 31/10/2005 | 104 | 1,528 | 1,526 | 145 | 145 | 99.9 | 103 | 1,497 | (1,394) |
| - Cem 2004 S.r.l. Rome | 31/12/2005 | 10 | 10 | 10 | (1) | (1) | 99.9 | 10 | 10 | 0 |
| - Cimentas A.S. Turkey | 31/12/2005 | 19,782 | 192,694 | 36,612 | 16,071 | 3,053 | 19.0 | 46,457 | 36,612 | 9,845 |
| | | | | 171,572 | | | | 205,362 | 171,672 | 33,690 |
| *Associated companies:* | | | | | | | | | | |
| - Speedybeton S.p.A. Pomezia (Rome) | 31/12/2005 | 300 | 7,106 | 2,132 | 879 | 264 | 30 | 2,479 | 2,132 | 347 |
| | | | | 2,132 | | | | 2,479 | 2,132 | 347 |
| | | | | **173,704** | | | | **207,841** | **173,804** | **34,037** |

In relation to the equity investments whose book value is higher than that resulting from the application of the valuation criteria required by article 2426 of the civil code, these differences are generally attributed to the higher cost sustained on purchase to recognise the current asset values and goodwill. In any case, their valuation, in accordance with the above-mentioned article of the Civil Code, is higher overall than the carrying value, as illustrated in the consolidated financial statements.
A statement showing the movements in equity investments in the year is provided as an attachment in accordance with article 2427 of the Civil Code.
All of the above equity investments relate to companies not quoted on a stock exchange with the exception of Cimentas A.S., which is quoted on the Istanbul stock exchange.
"Other receivables", amounting to Euro 309 thousand, relate to advance tax paid on employee leaving indemnity (Euro 193 thousand), and for the residual amount, to deposits from third parties in relation to various contracts.

*Current Assets*

Total current assets increased from Euro 434,668 thousand to Euro 484,185 thousand and include the following assets:

*Inventories*

At December 31, 2005, inventories amounted to Euro 21,982 thousand and were comprised as follows:

*(in thousands of Euro)*

| | **2005** | **2004** | **CHANGES** |
|---|---:|---:|---:|
| Raw material, supplies and consumable stores | 13,570 | 13,652 | (82) |
| Semi-finished products | 3,364 | 4,371 | (1,007) |
| Finished goods | 5,048 | 6,222 | (1,174) |
| | **21,982** | **24,245** | **(2,263)** |

Inventories were valued in accordance with the applicable accounting principles; if the inventories had been valued using a costing method that appropriates to current values at the balance sheet date, the book value would have been approximately Euro 8 million higher (Euro 6 million at December 31, 2004).

***Receivables***

Receivables, all due within one year, amount to Euro 454,548 thousand and consist of the following accounts:

*(in thousands of Euro)*

| | **2005** | **2004** | **CHANGES** |
|---|---:|---:|---:|
| Trade receivables | 73,634 | 69,994 | 3,640 |
| Subsidiary companies | 343,937 | 300,770 | 43,167 |
| Associated companies | 495 | 353 | 142 |
| Tax receivables | 347 | 2,481 | (2,134) |
| Deferred tax assets | 35,927 | 34,872 | 1,055 |
| Others | 208 | 162 | 46 |
| | **454,548** | **408,632** | **45,916** |

"Trade receivables" are recorded net of the doubtful debt provision to reflect their realisable value at the end of the year.
The movements in the provision for doubtful debts during 2005 were as follows:

| | *(in thousands of Euro)* |
|---|---|
| Balance at Dec. 31. 2004 | 2,828 |
| Utilisations in the year | (57) |
| Provisions in the year | 384 |
| Balance at Dec. 31, 2005 | 3,155 |

"Subsidiary and associated companies" receivables amounted to Euro 344,432 thousand and derive from operations of a commercial and financial nature; they are divided as follows:

*(in thousands of Euro)*

| | **Financial receivables** | **Trade receivables** | **Total** |
|---|---|---|---|
| **Subsidiary companies:** | | | |
| Intercem S.A. | 69,909 | 0 | 69,909 |
| Cimentas A.S. | 42,384 | 382 | 42,766 |
| Calcestruzzi Picciolini S.p.A. | 3,864 | 622 | 4,486 |
| Aalborg Portland A.S. | 0 | 1,188 | 1,188 |
| Unicon A.S. | 0 | 1,000 | 1,000 |
| Cementir Delta S.p.A. | 224,588 | 0 | 224,588 |
| Sub-total | 340,745 | 3,192 | 343,937 |
| **Associated companies:** | | | |
| Speedybeton S.p.A. | 0 | 495 | 495 |
| Sub-total | 0 | 495 | 495 |
| Total | 340,745 | 3,687 | 344,432 |

The receivable from Cementir Delta S.p.A. represents for Euro 224,529 thousand a loan for the acquisition of the Danish companies Aalborg Portland AS and Unicon AS and for the residual amount of Euro 59 thousand, the receivable from the transfer of IRES tax payables following the adhesion to the national fiscal consolidation regime.
"Tax Receivables" of Euro 347 thousand (Euro 2,481 thousand at December 31, 2004) relate to:

| | *(in thousands of Euro)* |
|---|---|
| IRES receivables | 268 |
| Other receivables | 79 |
| | 347 |

The “Deferred tax assets”, amounting to Euro 35,927 thousand, are calculated on the timing differences between the assessable taxable income and the result for statutory purposes. The detail of the account is as follows:

*(in thousands of Euro)*

| | **Assessable** | **Deferred tax asset** | | **Total** |
|---|---|---|---|---|
| | | **for IRES at 33%** | **for IRAP at 4.25%** | **Deferred tax asset** |
| 1. Write-downs of equity investments | 41,477 | 13,687 | 0 | 13,687 |
| 2. Non-deductible doubtful debt provision | 3,975 | 1,312 | 169 | 1,481 |
| 3. Sales representatives expenses | 89 | 29 | 4 | 33 |
| 4. Tax losses | 61,654 | 20,346 | 0 | 20,346 |
| 5. Other provisions not subject to IRAP | 1,152 | 380 | 0 | 380 |
| | 108,347 | 35,754 | 173 | 35,927 |

The movements in the account were as follows:

| | **Dec. 31, 2004** | **Provision net of utilisations to income statement** | **Dec. 31, 2005** |
|---|---|---|---|
| Tax losses carried forward | 9,346 | 10,999 | 20,345 |
| Provision for risks and charges | 1,987 | (92) | 1,895 |
| Write down of equity investments | 23,539 | (9,852) | 13,687 |
| **Total deferred tax asset** | 34,872 | 1,055 | 35,927 |

“Other” receivables”, amounting to Euro 208 thousand, relate to transactions of a various nature.
This account consists of:

| | *(in thousands of Euro)* |
|---|---|
| Advances to suppliers | 98 |
| Social security institutions | 9 |
| Other receivables | 101 |
| | 208 |

*Cash and cash equivalents*

This account, amounting to Euro 7,655 thousand, principally relates to liquidity held at December 31, 2005 on the bank current accounts.

*Prepayments and accrued income*

The balance of Euro 950 thousand was made with reference to the accruals principle. The account principally relates to accrued income of Euro 518 thousand received on the state interest grant from Simest on the loan provided by Medio Credito Centrale S.p.A. Prepayments, equal to Euro 432 thousand, principally relate to loan finance charges and charged to the income statement over the duration of the loans.

## Comments on the principal balance sheet liability accounts

*Shareholders' Equity*

The breakdown of shareholders' equity, equal to Euro 598,662 thousand, is as follows:

*(in thousands of Euro)*

| | **2005** | **2004** | **CHANGES** |
|---|---:|---:|---:|
| SHARE CAPITAL | 159,120 | 159,120 | 0 |
| SHARE PREMIUM RESERVE | 22,710 | 15,052 | 7,658 |
| REVALUATION RESERVE | 188,367 | 97,733 | 90,634 |
| LEGAL RESERVE | 31,824 | 7,859 | 23,965 |
| OTHER RESERVES: | | | |
| a) Capital grants | 13,207 | 13,207 | 0 |
| b) Reserve art. 15 Law 11/3/88 n. 67 | 138 | 138 | 0 |
| c) Extraordinary reserve | 0 | 0 | 0 |
| d) Reserve for the acquisition of treasury shares | 13,000 | 13,000 | 0 |
| e) Reserve Law 349/95 art. 11 | 19 | 12 | 7 |
| RETAINED EARNINGS | 161,536 | 0 | 161,536 |
| NET PROFIT FOR THE YEAR | 8,741 | 204,297 | (195,556) |
| TOTAL SHAREHOLDERS' EQUITY | **598,662** | **510,418** | **88,244** |

The share capital is composed of 159,120,000 ordinary shares of a nominal value of Euro 1 each.
In accordance with the shareholders' meeting resolution of April 14, 2005, Euro 7,658 thousand was allocated to the "Share premium reserve" and Euro 23,965 thousand to the "Legal reserve".
In accordance with the same shareholders' meeting resolution, authorisation was given for the sale and purchase of treasury shares pursuant to Article 2357 of the Civil Code for a maximum amount of Euro 13 million.
In relation to the account "Reserve for treasury shares held" and the "Reserve for the acquisition of treasury shares", these reserves are non-distributable until such time as the shares continue to be owned and/or until the expiry period for further acquisitions

(12 months from the resolution of April 14, 2005).
In addition, a dividend of Euro 11,138 thousand was approved (Euro 0.07 per share), utilising the net profit for the year.
In relation to the "Revaluation reserve", the total amount of the revaluations made in the year was Euro 102,994 thousand. The relative tax was Euro 12,360 thousand, corresponding to 12%, and was recorded as a reduction to the reserve. Therefore, the net change in the year amounted to Euro 90,634 thousand.
The net profit per share was Euro 0.05.
A statement showing the changes in the years 2003, 2004 and 2005 in the individual accounts is attached and a statement of distributable reserves.

*Provision for risks and charges*

The "Provisions for risks and charges" amounted to Euro 6,404 thousand and related to:

*(in thousands of Euro)*

| | 2004 | Other provisions | Utilisat. | 2005 |
|---|---|---|---|---|
| Income taxes | 11,420 | 0 | 7,434 | 3,986 |
| Others | 258 | 2,160 | 0 | 2,418 |
| | 11,678 | 2,160 | 7,434 | 6,404 |

The taxation provision, considered adequate for residual future taxes, includes the provisions for deferred tax liabilities.
It is calculated as follows:

*(in thousands of Euro)*

| | Assessable | Deferred tax liability for IRES | Deferred tax liability for IRAP | Total Deferred tax liability |
|---|---|---|---|---|
| 1. Profits on tangible asset sales | 7,364 | 2,430 | 313 | 2,743 |
| 2. Residual accelerated depreciation | 3,169 | 1,108 | 135 | 1,243 |
| | 10,533 | 3,538 | 448 | 3,986 |

The movement in the provision was as follows:

| | Dec 31, 2004 | Provision net of utilisations to income statement | Dec 31, 2005 |
|---|---|---|---|
| 1. Profits on tangible asset sales | 3,399 | (656) | 2,743 |
| 2. Residual accelerated depreciation | 8,021 | (6,778) | 1,243 |
| **Total deferred liability** | 11,420 | (7,434) | 3,986 |

The account "Other" includes the provision of Euro 247 thousand for cyclical maintenance to undertake the maintenance and overhaul of the propriety ship, the "Provision for indemnities to agents" of Euro 171 thousand and the "Provision for the share of CO2" of Euro 2,000 thousand, estimated as the production deficit at December 31, 2005.

No amounts were recorded for current litigation, which is prevalently of an environmental nature, due to the uncertainty relating to these matters; however, it is not likely that significant charges will arise for the Company.

*Provision for employee leaving indemnity*

"Employee leaving indemnity", amounting to Euro 7,926 thousand (Euro 7,624 thousand at December 31, 2004), relates to the full liability matured at December 31, 2005 to employees in accordance with current legislation and labour agreements.
The increase amounts to Euro 302 thousand and the breakdown is as follows:

*(in thousands of Euro)*

| | |
|---|---|
| Provisions for the quota matured in the year | 1,295 |
| Indemnities paid in the year | (993) |
| | 302 |

The number of employees at December 31, 2005 amounted to 565 (551 at December 31, 2004), consisting of 18 executives, 219 managers and white collar staff and 328 blue collar workers.

*Payables*

Total payables amounted to Euro 257,278 thousand (Euro 209,298 thousand at December 31, 2004), divided as follows:

*(in thousands of Euro)*

| | **2005** | **2004** | **CHANGES** |
|---|---|---|---|
| Payables to bank | 134,533 | 98,290 | 36,243 |
| *- due within one year* | *119,204* | *82,352* | *36,852* |
| *- due beyond one year* | *15,329* | *15,938* | *(609)* |
| Payables to other lenders | 39,008 | 39,008 | 0 |
| *- due within one year* | *7,802* | | 7,802 |
| *- due beyond one year* | *31,206* | *39,008* | (7,802) |
| Trade payables | 59,599 | 59,422 | 177 |
| Payables to subsidiary companies | 3,610 | 6,210 | (2,600) |
| Tax payables | 16,239 | 1,274 | 14,965 |
| Payables to social security institutions | 1,280 | 1,201 | 79 |
| Other payables | 3,009 | 3,893 | (884) |
| | **257,278** | **209,298** | **47,980** |

In relation to "Payables to bank", the total amount of secured loans was Euro 16,235 thousand.
The payables to bank over one year amount to Euro 15,329 thousand and refer to a loan from the Banca Intesa on the building located at Torrespaccata, granted in 2024.

The total amount of loans maturing within five years is Euro 3,557 thousand and the sum of Euro 12,678 thousand relates to beyond five years.
The amount "Payables to other lenders" refers to a subsidised loan granted in July 2002 by five credit institutions (lead institution MCC S.p.A.) and linked to loans granted to companies investing in developing countries; the amount lent is approximately Euro 39 million at variable rates, maturing in 7 years. The entire amount is due within five years.
Trade payables, amounting to Euro 59,599 thousand, increased by Euro 177 thousand.
Payables to subsidiaries, amounting to Euro 3,610 thousand, relate to trade and financial operations; the breakdown is as follows:

*(in thousands of Euro)*

| | **Financial payables** | **Trade payables** | **Total** |
|---|---|---|---|
| **Subsidiary companies:** | | | |
| Alfacem S.r.l. | 521 | 3 | 524 |
| Cementir Espana S.L. | 3,075 | 0 | 3,075 |
| Calcestruzzi Picciolini S.p.A. | 0 | 11 | 11 |
| Total | 3,596 | 14 | 3,610 |

The payables to Alfacem S.r.l and Cementir Espana S.L. relate to interest bearing loans at market rates.
Tax payables amount to Euro 16,239 thousand (Euro 1,274 thousand at December 31, 2004) and are all payable within one year. This account comprises:

| | *(in thousands of Euro)* |
|---|---|
| Provision for IRAP | 1,348 |
| Pay on account IRAP | (1,181) |
| Withholding taxes on contributions | 1,300 |
| Amnesty tax as per Law 27/2003 | 98 |
| Substitute taxes on monetary revaluations – year 2005 (*) | 14,527 |
| Group VAT payable | 132 |
| Other taxes payable | 15 |
| | 16,239 |

(*) of which Euro 2,167 relates to tax realignment

The payables to pension and social security institutions, amounting to Euro 1,280 thousand (Euro 1,201 thousand at December 31, 2004), principally relate to INPS and INAIL payables relating to the company or withheld on employee salaries for December.
Other payables of Euro 3,009 thousand (Euro 3,893 thousand at December 31, 2004) consist of items not of a strictly commercial nature.
The breakdown of this account is as follows:

| | *(in thousands of Euro)* |
|---|---|
| Employee payables, provisions for holidays not taken, and relative contributions | 1,787 |
| Emoluments for corporate boards | 248 |
| Payables to agents | 199 |
| Shareholders for unpaid dividends | 16 |
| Option rights acquired | 380 |
| Other payables | 379 |
| | 3,009 |

*Accrued liabilities and deferred income*

The account "Accruals and deferred income" amounts to Euro 2,014 thousand (Euro 2,362 thousand at December 31, 2004) and principally relates to the quota of grants accrued to December 31, 2005 (Euro 1,140 thousand) against the residual amounts to depreciate on assets, accruals relating to finance charges for the year (Euro 790 thousand) and deferred rental income (Euro 27 thousand).

*Memorandum account*

The memorandum accounts are fully presented after the balance sheet.
In particular, "sureties and mortgages in favour of third parties" (Euro 16,235 thousand) relate to the mortgage on a building to guarantee a loan received.
"Sureties in favour of third parties" (Euro 95,345 thousand) changed by Euro 84,605 thousand and relate for Euro 84,767 thousand to a guarantee given in favour of Medio Credito Centrale, for a loan granted to the subsidiary Turca Cimentas and the remainder to guarantees for supplies and concessions for the use of quarries.

## Income Statement

## Comments on the principal income statement accounts

The Directors' Report on operations for the year 2005 presents the reclassified income statement of Cementir compared to the previous year.

*Value of production*

The "value of production" decreased from Euro 206,536 thousand to Euro 197,204 thousand and relates to revenues and income as follows:

*(in thousands of Euro)*

| | 2005 | 2004 | CHANGES |
|---|---|---|---|
| Revenues from sales and services | 198,579 | 203,875 | (5,296) |
| Change in inventories of products in work in process, semi-finished and finished products | (2,181) | 1,365 | (3,546) |
| Increase in internal work | 87 | 517 | (430) |
| Other revenues | 719 | 779 | (60) |
| | **197,204** | **206,536** | **(9,332)** |

The account "revenues from sales and services" amounting to Euro 198,579 thousand, in addition to revenues from sale of goods and materials deriving from normal activities of the company (Euro 188,813 thousand), includes revenues for services (Euro 9,766 thousand), which principally concerns reimbursement by clients for transport costs and various services, separately indicated in the invoice.
Given the location of the factories, the revenues are almost all entirely in Italy; the amount of overseas revenues is equal to approx. 2.5%.
The increase in "assets built internally" of Euro 87 thousand relates to the capitalisation of tangible fixed assets constructed by the company.
"Other revenues" amount to Euro 719 thousand and include Euro 631 thousand of grants for the year, in line with the depreciation on the assets to which they refer and the recovery of expenses from third parties.

*Costs of Production*

"Costs of production", amounting to Euro 198,119 thousand (Euro 201,988 thousand in 2004) include all the costs relating to industrial management.

The composition of costs of production is as follows:

*(in thousands of Euro)*

| | 2005 | 2004 | CHANGES |
|---|---|---|---|
| Raw materials, ancillary, consumable and goods | 87,024 | 78,822 | 8,202 |
| Services | 46,375 | 40,045 | 6,330 |
| Rents, leases and similar | 1,532 | 425 | 1,107 |
| Personnel costs | 25,845 | 22,569 | 3,276 |
| Amortisation, depreciation and provisions | 32,902 | 57,584 | (24,682) |
| Changes in inventories of raw materials, ancillary, consumables and goods | 81 | (731) | 812 |
| Provision for risks | 2,161 | 153 | 2,008 |
| Other operating charges | 2,199 | 3,121 | (922) |
| | **198,119** | **201,988** | **(3,869)** |

The costs incurred for "raw materials, ancillary, consumables and goods" amounting to Euro 87,024 thousand relate to all of the costs incurred in the year for the purchase of raw material and semi-finished products in the production activities carried out, specific materials and spare parts, electricity and fuel costs and expenses related to operational activities.
"Costs for services", amount to Euro 46,375 thousand and include expenses for services provided in the year for technical, commercial, administrative and legal consultancy and transport costs relating to the delivery of the products sold.
The total remuneration of the Directors and Statutory Auditors amounted to Euro 3,853 thousand, of which Euro 3,725 thousand to Directors and Euro 128 thousand to the Board of Statutory Auditors.
In compliance with article 78 of Consob deliberation n. 11971, the remuneration paid to Directors, Statutory Auditors and the General Director in all forms, including from subsidiary companies, is provided as an attachment. The shareholdings held by these parties in subsidiary companies are also attached.
"Rents, leases and similar" amount to Euro 1,532 thousand and includes all the costs incurred for hire and office rental.
"Personnel costs", amounting to Euro 25,845 thousand and are adequately detailed in the income statement, represent the amounts incurred for salaries, pension and social security payments, provisions for employee leaving indemnities and for other costs including additional indemnities, professional payments, contributions for cultural and recreational activities and insurance cost.
The average number of employees in the year was 557, of which 16 were executives, 217 managers and white-collar staff and 324 blue-collar employees.
The account "amortisation, depreciation and write-downs", amounting to Euro 32,902 thousand, includes:

a) "Amortisation of intangible assets" for Euro 117 thousand, corresponding to the amortisation of one fifth of costs relating to the information system SAPR3.
b) "Depreciation of tangible fixed assets" for Euro 32,400 thousand represents the ordinary depreciation in the year, applying the rates as previously indicated.
   For completeness of information, it is noted that the revaluation of assets in accordance with law 342/2000 made in 2000 and 2003 resulted in higher depreciation of approximately Euro 21 million.
c) The "provision for doubtful debts" of Euro 384 thousand corresponds to charges considered necessary to cover expected losses on receivables from customers.

The "provisions for risks" total Euro 2,161 thousand and relate for Euro 146 thousand to the regular maintenance programme for the ship owned by the company, Euro 15 thousand for the agents' leaving indemnities and the provision for the share of $CO_2$ of Euro 2,000 thousand.

"Other operating charges" amount to Euro 2,198 thousand, as follows:

| | *(in thousands of Euro)* |
|---|---|
| Concession charges | 265 |
| Indirect taxes | 1,150 |
| Sales representatives expenses | 75 |
| Association fees | 460 |
| Other expenses | 248 |
| | 2,198 |

Indirect taxes include property taxes of Euro 709 thousand.

*Financial income and charges*

The account "financial income and charges" refers to all of the financial income and charges relating to the year; the balance is a positive amount of Euro 5,017 thousand. The item is comprised of:

*(in thousands of Euro)*

| | **2005** | **2004** | **CHANGES** |
|---|---|---|---|
| *Income from equity investments:* | | | |
| • subsidiary companies | 5,304 | 1,322 | 3,982 |
| • associated companies | 239 | 117 | 122 |
| • other companies | 0 | 1,080 | (1,080) |
| • gains on sale of equity investments | 0 | 32,431 | (32,431) |
| *Other financial income:* | | | |
| • other income | 1,245 | 2,101 | (856) |
| | 6,788 | 37,051 | (30,263) |
| *Interest and other financial charges:* | | | |
| • banks and financial institutions | (3,601) | (2,548) | (1,053) |
| • subsidiaries | (30) | (22) | (8) |
| • other charges | (340) | (417) | 77 |
| • losses on sale of equity investments | 0 | (69) | 69 |
| | (3,971) | (3,056) | (915) |
| *Exchange gains and losses* | 2,200 | 190 | 2,010 |
| ***Total financial income and charges*** | **5,017** | **34,185** | **(29,168)** |

The income from equity investments relates to dividends from the subsidiaries Cimentas (Euro 715 thousand), Speedybeton S.p.A. (Euro 239 thousand) and Alfacem S.r.l. (Euro 4,589 thousand).
The account "other financial income" amounting to Euro 1,245 thousand relates principally to the subsidised state grant, paid by the company Simest on a loan received from MCC S.p.A. (Euro 1,163 thousand), and interest income of Euro 82 thousand.
The bank interest payable relates to the interest on short-term loans of Euro 1,986 thousand and on medium/long-term loans of Euro 1,615 thousand.
The interest payable to subsidiaries of Euro 30 thousand relates to a loan at market conditions from Alfacem S.r.l (Euro 25 thousand) and from Cementir Espana S.L. also for a loan at market conditions (Euro 5 thousand).
The account "Exchange gains and losses" records net gains realised of Euro 1,956

thousand and net profits of Euro 244 thousand for adjustments to foreign currency differences; this adjustment was made based on the year-end exchange rate and recorded in this account in accordance with the O.I.C. No. 1 document.

*Extraordinary income and charges*

The account "extraordinary income and charges" includes all the income and charges not considered to be related to the normal activities of the company.
The overall balance is a negative amount of Euro 435 thousand resulting from the difference between income (Euro 242 thousand) and charges (Euro 677 thousand).

*Income taxes*

The overall income taxes totalled Euro 5,075 thousand.
The following amounts are included:

- IRAP income taxes equal to Euro 1,305 thousand, substitute taxes at 12% on the revaluation of the plant totalling Euro 2,167 thousand and the transfer of the IRES income tax payable by the subsidiary Cementir Delta S.p.A. of Euro 59 thousand, resulting from the adhesion to the national fiscal consolidated regime.
- Deferred tax charge of Euro 7,434 thousand, calculated on the quota of the net accelerated depreciation in the year and on the deferment of the gain on property sold.
- Deferred tax income, calculated on the temporary differences between assessable income tax and the statutory results, in accordance with the accruals principal of Euro 1,055 thousand; these amounts related to, with negative effect, the reversal of the write-downs on the equity investments in Intercem S.A. and Cimentas S.A., whose fiscal deductibility is permitted in the current year and the following four years, of Euro 9,852 thousand, for the utilisation of provisions not fiscally deductible of Euro 132 thousand, and with positive effect, the calculation of the deferred tax asset on the fiscal losses for the year of Euro 10,999 thousand and other effects of Euro 39 thousand.

The reconciliation between the actual fiscal charge and the theoretical fiscal charge is as follows:

*(in thousands of Euro)*

| | **Assessable** | **IRES tax** | **IRES rate** |
|---|---|---|---|
| Pre-tax profit | 3,666 | 1,210 | 33.00% |
| Transfer payable Tax Consolidation | 179 | 59 | 1.61% |
| Temporary differences deductible in future years | 2,347 | 775 | 21.13% |
| Recovery of temporary differences from previous years | (27,820) | (9,181) | (250.43%) |
| Permanent differences | (3,997) | (1,319) | (35.98%) |
| | **(25,625)** | **(8,456)** | |

# CEMENTIR S.p.A.

***STATEMENT OF CHANGE IN NET EQUITY***

***DECEMBER 31 2003 -2004 - 2005***

*(in thousands of Euro)*

| Description | Share Capital | Share premium reserve | Revaluation reserve | Legal reserve | Reserve for own shares in portfolio | Capital grants | Reserve art.15 L. 11/3/88 n.67 | Extra. reserve | Reserve for treasury shares | Reserve Law 349/95 | Retained earnings | Result for the year | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2002** | **159,120** | **22,710** | **153,655** | **7,859** | **6,987** | **13,207** | **138** | **7,411** | **6,013** | **3** | **3,721** | **(62,900)** | **317,924** |
| Distribution of dividend 2002: | | | | | | | | | | | | | |
| - Dividends distributed | | | | | | | | (5,674) | | | (3,721) | | **(9,395)** |
| Covering of losses 2002 | | | | | | | | | | | | | |
| - Covering of loss in year | | | (62,900) | | | | | | | | | 62,900 | **0** |
| Acquisition of treasury shares | | | | | 128 | | | | (128) | | | | **0** |
| Revaluations Law 342/2000 | | | 36,450 | | | | | | | | | | **36,450** |
| Grants received | | | | | | | | | | 5 | | | **5** |
| Loss for the year | | | | | | | | | | | | (29,472) | **(29,472)** |
| **Balance at December 31, 2003** | **159,120** | **22,710** | **127,205** | **7,859** | **7,115** | **13,207** | **138** | **1,737** | **5,885** | **8** | **0** | **(29,472)** | **315,512** |
| Distribution of dividend 2003: | | | | | | | | | | | | | |
| - Dividends distributed | | (7,658) | | | | | | (1,737) | | | 0 | | **(9,395)** |
| Covering of losses 2003 | | | | | | | | | | | | | |
| - Covering of loss in year | | | (29,472) | | | | | | | | | 29,472 | **0** |
| Sale of treasury shares | | | | | (7,115) | | | | 7,115 | | | | **0** |
| Grants received | | | | | | | | | | 4 | | | **4** |
| Net Profit | | | | | | | | | | | | 204,297 | **204,297** |
| **Balance at December 31, 2004** | **159,120** | **15,052** | **97,733** | **7,859** | **0** | **13,207** | **138** | **0** | **13,000** | **12** | **0** | **204,297** | **510,418** |
| Allocation of 2004 profit: | | | | | | | | | | | | | |
| - Reserves | | 7,658 | | 23,965 | | | | | | | 161,536 | (193,159) | **0** |
| - Dividends distributed | | | | | | | | | | | | (11,138) | **(11,138)** |
| Revaluations Law 342/2005 | | | 90,634 | | | | | | | | | | **90,634** |
| Grants received | | | | | | | | | | 7 | | | **7** |
| Net Profit | | | | | | | | | | | | 8,741 | **8,741** |
| **Balance at December 31, 2005** | **159,120** | **22,710** | **188,367** | **31,824** | **0** | **13,207** | **138** | **0** | **13,000** | **19** | **161,536** | **8,741** | **598,662** |

# CEMENTIR S.p.A.

## INTANGIBLE ASSETS
*(in thousands of Euro)*

| Account | as at 31.12.04 | | | Changes | | | as at 31/12/2005 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cost | Amortisation | Net book value | Investments | Amortisation | Total | Cost | Amortisation | Net book value |
| Formation and start-up costs | 217 | (217) | 0 | 0 | 0 | 0 | 217 | (217) | |
| Others | 1,436 | (1,270) | 166 | 331 | (117) | 214 | 1,767 | (1,387) | 38 |
| Assets in progress and payments on account | 755 | 0 | 755 | 1,080 | 0 | 1,080 | 1,835 | 0 | 1,83 |
| | 2,408 | (1,487) | 921 | 1,411 | (117) | 1,294 | 3,819 | (1,604) | 2,2 |

## *CEMENTIR S.p.A.*

**TANGIBLE FIXED ASSETS AND ACCUMULATED DEPRECIATION**

***(in thousands of Euro)***

| | Land and buildings | Plant and machinery | Commercial and industrial equipment | Other fixed assets | Assets in progress and payments on account | Total |
|---|---|---|---|---|---|---|
| **December 31, 2004** | | | | | | |
| Cost | 60,014 | 217,165 | 2,702 | 3,300 | 4,950 | 288,131 |
| Revaluations | 27,638 | 265,594 | 117 | 60 | 0 | 293,409 |
| Accumulated depreciation | (61,860) | (420,142) | (2,537) | (2,888) | 0 | (487,427) |
| **Book Value 2004** | **25,792** | **62,617** | **282** | **472** | **4,950** | **94,113** |
| **Changes in the year** | | | | | | |
| Investments | 0 | 0 | 0 | 0 | 9,592 | 9,592 |
| Revaluations | 0 | 102,994 | 0 | 0 | 0 | 102,994 |
| Reclassifications | 591 | 6,719 | 89 | 167 | (7,566) | 0 |
| Net disposals | 0 | (9) | 0 | 0 | 0 | (9) |
| Depreciation | (2,246) | (29,870) | (135) | (149) | 0 | **(32,400)** |
| **Total changes** | **(1,655)** | **79,834** | **(46)** | **18** | **2,026** | **80,177** |
| **December 31, 2005** | | | | | | |
| Cost | 60,606 | 223,523 | 2,791 | 3,465 | 6,975 | 297,360 |
| Revaluations | 27,638 | 368,059 | 117 | 60 | 0 | 395,874 |
| Accumulated depreciation | (64,106) | (449,131) | (2,672) | (3,035) | 0 | (518,944) |
| **Book value 2005** | **24,138** | **142,451** | **236** | **490** | **6,975** | **174,290** |

## CEMENTIR S.p.A.

**FINANCIAL ASSETS – EQUITY INVESTMENTS AND PAYMENTS ON ACCOUNT**

*(in thousands of Euro)*

| | 31/12/2004 | | | CHANGES IN THE YEAR | | | 31/12/2005 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Cost | Write-downs and sales | Net book value | Subscriptions and revaluations | Write-downs and sales | Total changes | Cost | Write-downs and sales | Net book value |
| ***Subsidiary companies:*** | | | | | | | | | |
| - Cementir Delta S.p.A. | 38,217 | 0 | 38,217 | 0 | 0 | 0 | 38,217 | 0 | 38,217 |
| - Calcestruzzi Picciolini S.p.A. | 4,249 | (4,146) | 103 | 0 | 0 | 0 | 4,249 | (4,146) | 103 |
| - Intercem S.A. | 120,354 | 0 | 120,354 | 0 | 0 | 0 | 120,354 | 0 | 120,354 |
| - Alfacem S.r.l. | 836 | (615) | 221 | 0 | 0 | 0 | 836 | (615) | 221 |
| - Cimentas S.A. | 76,005 | (29,548) | 46,457 | 0 | 0 | 0 | 76,005 | (29,548) | 46,457 |
| - Compact Puglia S.r.l. | 71,566 | (71,566) | 0 | 0 | 0 | 0 | 71,566 | (71,566) | 0 |
| - Cem 2004 S.r.l. | 10 | 0 | 10 | 0 | 0 | 0 | 10 | 0 | 10 |
| | **311,237** | **(105,875)** | **205,362** | **0** | **0** | **0** | **311,237** | **(105,875)** | **205,362** |
| ***Associated companies:*** | | | | | | | | | |
| - Speedybeton S.p.A. | 2,479 | 0 | 2,479 | 0 | 0 | 0 | 2,479 | 0 | 2,479 |
| | **2,479** | **0** | **2,479** | **0** | **0** | **0** | **2,479** | **0** | **2,479** |
| ***Other companies:*** | | | | | | | | | |
| - Caltagirone Editore S.p.A. | 5,400 | (5,400) | 0 | 0 | 0 | 0 | 5,400 | (5,400) | 0 |
| - Cemencal S.p.A. | 2,400 | 0 | 2,400 | 0 | 0 | 0 | 2,400 | 0 | 2,400 |
| - S.I.P.A.C (in liquidation) | 78 | 0 | 78 | 0 | 0 | 0 | 78 | 0 | 78 |
| - Consozio Toscocem (in liquidation) | 16 | 0 | 16 | 0 | 0 | 0 | 16 | 0 | 16 |
| | **13,069** | **(5,661)** | **2,494** | **0** | **0** | **0** | **7,894** | **(5,400)** | **2,494** |
| **TOTAL** | **178,119** | **(111,451)** | **210,335** | **0** | **0** | **0** | **321,610** | **(111,275)** | **210,335** |

# *CEMENTIR S.p.A.*

***SCHEDULE OF NET EQUITY ACCOUNTS AT 31/12/2005***

*(in thousands of Euro)*

| Nature/description | Amount | Possibility of utilisation | Quota distrib. | Summary of utilisations made in the three previous years | |
|---|---|---|---|---|---|
| | | | | to cover losses | for other reasons |
| Share Capital | 159,120 | | | | |
| Share premium reserve | 22,710 | A,B,C | 22,710 | | |
| Revaluation reserve | 188,367 | A,B,C | 188,367 | 92,372 | |
| Legal reserve | 31,824 | B | 31,824 | | |
| Reserve for own shares in portfolio | 0 | | | | 7,115 |
| Capital grants | 13,207 | A,B | 13,207 | | |
| Reserve art.15 L. 11/3/88 n.67 | 138 | A,B | 138 | | |
| Extra. reserve | 0 | | | | 7,411 |
| Reserve for treasury shares | 13,000 | | | | |
| Reserve Law 349/95 | 19 | A,B | 19 | | |
| Retained earnings | 161,536 | A,B,C | 44,382 | | 3,721 |
| **Total** | **430,801** | | **300,647** | | |
| **Non distributable quota** | | | **233,555** | | |
| **Residual quota distributable** | | | **67,092** | | |

Legend:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders

# *CEMENTIR S.p.A.*

**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005**

*(in thousands of Euro)*

| | | 2005 | 2004 |
|---|---|---|---|
| **A.** | **NET INITIAL CASH - SHORT TERM (1)** | **213,767** | **126,961** |
| **B.** | **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| | Result for the year | 8,742 | 204,297 |
| | Amortisation and depreciation | 32,517 | 57,218 |
| | Net change in provision for risks and charges | (5,273) | 10,781 |
| | Net changes in the provisions for employee leaving indemnities | 301 | 309 |
| | Net (gains) losses from the sale of fixed assets | (3) | (42,837) |
| | (Increase) reduction in inventories | 2,263 | (2,096) |
| | (Increase) reduction in trade receivables | (3,640) | (2,271) |
| | (Increase) reduction in receivables from subsidiary and associated companies (and other receivables) | (1,001) | (344) |
| | Increase (reduction) in trade payables | 177 | 6,597 |
| | Increase (reduction) in payables to subsidiary companies and other payables | 13,107 | (23,521) |
| | Other changes in working capital | (272) | (317) |
| | | **46,918** | **207,816** |
| **C.** | **CASH FLOW FROM INVESTMENT ACTIVITIES** | | |
| | Investments in fixed assets: | | |
| | - intangible assets | (1,411) | (914) |
| | - tangible assets | (9,592) | (11,030) |
| | - financial assets | 11 | 69 |
| | - treasury shares | 0 | 0 |
| | Sales of financial fixed assets | 0 | 44,476 |
| | Sales of tangible fixed assets | 12 | 20,044 |
| | Effect of revaluation law 266/2005 | (12,359) | 0 |
| | Effect of fiscal adjustment: | | |
| | - Reversal of residual accelerated depreciation 31 12 2003 | 0 | (20,359) |
| | - Reversal of write down in equity investments | 0 | (148,656) |
| | | **(23,339)** | **(116,370)** |
| **D.** | **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| | Repayment of loans | (8,410) | 4,755 |
| | Payment to cover losses in subsidiary companies | 0 | 0 |
| | | **(8,410)** | **4,755** |
| **E.** | **DIVIDENDS DISTRIBUTED** | **(11,138)** | **(9,395)** |
| **F.** | **CASH FLOW FOR THE YEAR (B+C+D+E)** | **4,031** | **86,806** |
| **G.** | **NET FINAL CASH (SHORT TERM) (1) (A+F)** | **217,798** | **213,767** |

(1) Includes financial receivables/(payables) from subsidiary companies

## *CEMENTIR S.p.A.*

**OTHER INFORMATION**

**EQUITY HOLDINGS OF THE DIRECTORS, THE GENERAL DIRECTOR AND THE STATUTORY AUDITORS**

***(information required by CONSOB resolution of 1/07/1998)***

| Name | Company | Number of shares held at the end of the previous year | Number of shares acquired | Number of shares sold | Number of shares held at the end of the current year |
|---|---|---|---|---|---|
| Francesco Caltagirone | Cementir S. p. A. | 3,111,162 | 1,283,082 | 0 | 4,394,244 |
| Edoardo Caltagirone | Cementir S. p. A. | 286,000 | 0 | 0 | 286,000 |
| Mario Ciliberto | Cementir S. p. A. | 50,000 | 30,000 | 0 | 80,000 |
| Riccardo Nicolini | Cementir S. p. A. | 0 | 65,124 | 45,124 | 20,000 |
| Carlo Schiavone | Cementir S. p. A. | 5,000 | 0 | 0 | 5,000 |

# *CEMENTIR S.p.A.*

**OTHER INFORMATION**

*Remuneration*

| | 2005 |
|---|---|
| a) Directors | 5,673 |
| b) Standing Auditors | 149 |

**REMUNERATION OF DIRECTORS, THE GENERAL DIRECTOR AND STATUTORY AUDITORS**

***(information required by article 78 of CONSOB resolution n. 11971)***

***(in thousands of Euro)***

| (A) Name | (B) Office held | (C) Period of office | (D) Expiry of office | (1) Emoluments for office in company | (2) Non-monetary benefits | (3) Bonuses and other incentives | (4) Other remuneration |
|---|---|---|---|---|---|---|---|
| Francesco Caltagirone | Chairman of the BoD | Full year | 2005 | | | 3,497 | |
| Luciano Leone | Director | Full year | 2005 | 5 | | | |
| Mario Ciliberto | Director | Full year | 2005 | 1 | | | 1,301 |
| Mario Delfini | Director | Full year | 2005 | 6 | | | |
| Pasquale Alcini | Director | Full year | 2005 | 6 | | | |
| Carlo Carlevaris | Director | Full year | 2005 | 5 | | | |
| Riccardo Nicolini | Managing Director/ General Director | Full year | 2005 | 106 | | 68 | 300 |
| Walter Montevecchi | Director | Full year | 2005 | | | | 304 |
| Saverio Caltagirone | Director | Full year | 2005 | 6 | | | 66 |
| Alfio Marchini | Director | Full year | 2005 | 2 | | | |
| Claudio Bianchi | Chairman of the Stat. Auds. | Full year | 2007 | 41 | | | |
| Gianpiero Tasco | Statutory Auditor | Full year | 2007 | 41 | | | |
| Carlo Schiavone | Statutory Auditor | Full year | 2007 | 41 | | | 26 |

*(1-2-3-4) - the remuneration includes VAT due and social security contributions*

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REPORT OF THE INDEPENDENT AUDIT FIRM AS PER ARTICLE 156 OF LEGISLATIVE DECREE 58 OF FEBRUARY 24, 1998

To the shareholders of
Cementir – Cementerie del Tirreno SpA

1. We have audited the financial statements of Cementir – Cementerie del Tirreno SpA. as of December 31, 2005 These financial statements are the responsibility of Cementir – Cementerie del Tirreno SpA.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior period, which are presented for comparative purposes as required by law, reference should be made to our report issued on March 21, 2005.

3. In our opinion, the financial statements of Cementir – Cementerie del Tirreno SpA as of December 31, 2005 comply with the laws governing the criteria for their preparation and give a true and fair view of the financial position and of the results of operations of the company.

4. In the current year, as in the previous years, the company made revaluations on some fixed assets in accordance with law. The balance sheet and income statement effect of these revaluations are reported by the directors in the notes to the financial statements.

Rome, April 4, 2006

PricewaterhouseCoopers SpA

Luciano Festa
(Revisore contabile)