Cementir

CEMENTERIE DEL TIRRENO SPA

Annual Report

2006

Cementerie del Tirreno S.p.A.

Corso di Francia, 200 - 00191 Rome - Italy
Share Capital Euro 159.120.000 i.v.
Rome Companies Register

Contents

Directors, officers and auditors

Board of Directors

Honorary Chairman		Luciano Leone
Chairman	1	Francesco Caltagirone Jr.
Vice Chairman		Carlo Carlevaris
Chief Executive Officer and General Manager	1	Riccardo Nicolini
Directors		
		Pasquale Alcini
		Edoardo Caltagirone
		Saverio Caltagirone
		Azzurra Caltagirone
		Alessandro Caltagirone
		Mario Ciliberto
	1	Mario Delfini
		Alfio Marchini
		Walter Montevecchi

Board of Statutory Auditors

Chairman	Claudio Bianchi
Standing members	
	Giampiero Tasco
	Carlo Schiavone

Independent Auditors PriceWaterhouseCoopers SpA

1 Member of the Executive Committee

Directors' report on operations

The consolidated financial statements of Cementir Group were prepared in accordance with CONSOB Regulation No. 11971/1999, and subsequent amendments.

Results

(Euro thousands)	January-December 2006	January-December 2005	Change %
NET REVENUES FROM SALES AND SERVICES	**1,053,343**	**857,389**	**22.85**
OTHER REVENUES	14,049	16,671	-15.73
RAW MATERIALS COSTS	(411,834)	(333,431)	23.51
SERVICES	(243,424)	(220,141)	10.58
PERSONNEL COSTS	(148,218)	(120,979)	22.52
OTHER OPERATING COSTS	(16,549)	(15,078)	9.76
EBITDA	**247,367**	**184,431**	**34.12**
EBITDA/SALES %	*23.48*	*21.51*	
AMORTISATION, DEPRECIATION & PROV.	(66,486)	(65,182)	2.00
EBIT	**180,881**	**119,249**	**51.68**
EBIT/SALES %	*17.17*	*13.91*	
FINANCIAL RESULT	**(11,973)**	**(4,298)**	
PROFIT BEFORE TAX	**168,908**	**114,951**	**46.94**
INCOME TAXES	(45,807)	793	
NET PROFIT	**123,101**	**115,744**	**6.36**
NET PROFIT OF MINORITY INTEREST	**8,735**	**6,347**	
GROUP NET PROFIT	**114,366**	**109,397**	**4.54**

In 2006, net revenues amounted to Euro 1,053.3 million (+22.85% compared to Euro 857.4 million in 2005), Ebitda amounted to Euro 247.4 million (+34.12% compared to Euro 184.4 million in 2005), Ebit amounted to Euro 180.9 million (+51.68% compared to Euro 119.2 million in 2005) and group net result amounted to Euro 114.4 million (+4.5% compared to Euro 109.3 million in 2005).

It should be noted that the year 2005 benefited from the release of a deferred tax charge of Euro 30.6 million as a consequence of the revaluation of plant made by Cementir SpA, in accordance with the provisions of law 266/2005; comparing the 2006 group net profit with the relative normalised 2005 profit, the increase was 45%.

Ebitda and Ebit margins improved by 2% and 3% respectively compared to 2005.

Directors' Report and significant events

The end of 2006 confirmed the levels of activity recorded in the first part of the year. In spite of high energy and transport costs, the main financial indicators - in particular sales and operating margins - almost reached the objectives set out in the 2006/2008 three-year plan, two years ahead of the Group's development programme. 2006 was the eighth consecutive year in which the company improved upon its results on the previous year. The progressive increase in sales, the recovery of 2/3 percentage points in operating margins and a debt/equity ratio below 0.5 are all indicators of a healthy and sustainable growth, despite an increase in turnover in the past six years of approximately 400%. These results were achieved thanks to constant benchmarking within the Group across countries, markets and products. The policy of geographic diversification has certainly been successful, both in value creation, and in the results achieved so far.

The acquisitions of the Danish company 4-K Beton (together with the simultaneous sale of the ready-mix and aggregates activities in Poland - permitting the Group to significantly strengthen its presence in the ready-mix market in Scandinavia) and the Turkish company Elazig Cimento, which with the addition of the Edirne plant acquired at the end of 2005, permitted the subsidiary Cimentas to reach a production capacity in Turkey of approximately 5 million tonnes annually and become the third operator in the country, were among the most significant events in the year.

Since 2001, when Cementir started its strategic expansion, over Euro 1.1 billion has been invested in acquisitions.

With reference to continuing operations, the integration and exchange of information which began in the previous year continued in 2006; the Edirne plant has been integrated into the Cementir production network and its IT Information Systems migrated to the Group SAP platform. The SAP platform will be implemented shortly by the Danish company Aalborg Portland. In 2006, production and sales activities continued to grow across all markets as illustrated by the growth of revenues and margins on the previous year.

This strong operational performance underpins and reinforces Cementir Group's confidence in securing further investment opportunities, where favourable conditions may develop.

Research and development activities

The Group undertakes research and development activities through the research centres of Cementir at Spoleto (PG) and Aalborg Portland, at Aalborg.

Cementir's Research Centre 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 processes and the quality of 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, 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.

Treasury shares

At December 31st, 2006, the Group does not hold any treasury shares.
At December 31st, 2006, 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 SpA and its subsidiaries;
- the associated companies;
- other related parties.

The most significant transactions with related parties are shown in the note n.29 of the notes to the consolidated financial statements.

Subsequent events

After the year end closing, there is no significant events to report.

Outlook

Expectations are positive for 2007 with the market expected to confirm demand in line with 2006 and management believe, where conditions remain favourable, that the Group can achieve further improvements in margins and results.

Reconciliation between shareholder's equity and net profit of the parent company and consolidated financial statement as at December 31st, 2006

(Euro thousands)	Net profit 2006	Shareholders' Equity December 31, 2006
Cementir SpA	**21,291**	**628,933**
Higher gains on sales and contribution	-	(1,170)
Amortisation of the Cimentas goodwill as at December 31st,2003	-	(13,842)
IAS/IFRS effects onsubsidiaries companies as at December 31st,2003	-	(9,893)
Reserves changes		(24,234)
Consolidation effect of the subsidiaries companies	86,085	293,441
Net result of equity investments valued at equity method	5,645	10,033
Other changes	1,345	(3,564)
Total Group	**114,366**	**879,704**
Total Minority interest	**8,735**	**41,763**
Cementir Group	**123,101**	**921,467**

Consolidated financial statements

Consolidated balance sheet

(Euro thousands)	Note	December 31st, 2006	December 31st, 2005
ASSETS			
NON-CURRENT ASSETS			
Intangible fixed assets	1	457,547	474,847
Property, plant and equipment	2	804,933	695,982
Investment property	3	23,000	23,000
Equity investments valued at equity method	4	22,747	25,267
Other equity investments	5	2,778	2,563
Non-current financial assets	6	431	379
Deferred tax assets	18	26,399	40,496
Other non-current assets		288	133
TOTAL NON-CURRENT ASSETS		**1,338,123**	**1,262,667**
CURRENT ASSETS			
Inventories	7	103,937	95,410
Trade receivables	8	195,233	168,047
Current financial assets	9	858	2,284
Current tax assets		2,458	6,379
Other current assets	10	14,353	8,393
Cash and cash equivalents	11	31,226	41,750
TOTAL CURRENT ASSETS		**348,065**	**322,263**
TOTAL ASSETS		**1,686,188**	**1,584,930**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		159,120	159,120
Share premium reserve		35,710	22,710
Other reserves		570,508	542,827
Group net profit		114,366	109,397
GROUP SHAREHOLDERS' EQUITY	12	**879,704**	**834,054**
Net profit of minority interests		8,735	6,347
Minority interest reserves		33,028	29,406
MINORITY INTEREST SHAREHOLDERS' EQUITY	12	**41,763**	**35,753**
TOTAL SHAREHOLDERS' EQUITY		**921,467**	**869,807**
LIABILITIES			
NON-CURRENT LIABILITIES			
Employee benefit provisions	13	17,143	16,296
Non-current provisions	14	12,330	11,608
Non-current financial liabilities	16	174,317	167,085
Deferred tax liabilities	18	67,664	68,015
TOTAL NON-CURRENT LIABILITIES		**271,454**	**263,004**
CURRENT LIABILITIES			
Current provisions	14	54	1,235
Trade payables	15	152,116	134,226
Current financial liabilities	16	295,307	280,781
Liabilities for current taxes		7,725	4,946
Other current liabilities	17	38,065	30,931
TOTAL CURRENT LIABILITIES		**493,267**	**452,761**
TOTAL LIABILITIES		**764,721**	**715,123**
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**1,686,188**	**1,584,930**

Consolidated income statement

(Euro thousands)	Note	2006	2005
REVENUES	**19**	**1,049,661**	**857,780**
Change in inventories		3,682	(391)
Increases for internal work		2,434	1,495
Other operating revenues	**20**	11,615	15,176
TOTAL OPERATING REVENUES		**1,067,392**	**874,060**
Raw material costs	**21**	(411,834)	(333,431)
Personnel costs	**22**	(148,218)	(120,979)
Other operating costs	**23**	(259,973)	(235,219)
TOTAL OPERATING COSTS		**(820,025)**	**(689,629)**
EBITDA		**247,367**	**184,431**
Amortisation, depreciation, write-downs and provisions	**24**	(66,486)	(65,182)
EBIT		**180,881**	**119,249**
Net result of equity investments valued at equity method	**25**	5,654	5,545
Net result of financial costs	**25**	(17,627)	(9,843)
NET RESULT OF FINANCIAL COSTS AND EQUITY INVESTMENTS VALUED AT EQUITY METHOD		**(11,973)**	**(4,298)**
PROFIT BEFORE TAX		**168,908**	**114,951**
Income taxes	**26**	(45,807)	793
NET PROFIT FOR THE YEAR		**123,101**	**115,744**
MINORITY INTERESTS NET PROFIT		8,735	6,347
GROUP NET PROFIT	**27**	**114,366**	**109,397**

Statement of movement in consolidated shareholders' equity

(Euro thousands)	Share Capital	Share premium reserve	Other reserves: Legal reserve	Other reserves: Reserve for treasury shares	Other reserves: Translation reserve	Other reserves: Other reserves	Group net profit	Group shareholders' equity	Minority interest net profit	Minority interest reserves	Minority interest shareholders' equity	Total Shareholders' Equity
Shareholders' equity at January 1st, 2005	**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 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**
Shareholders' equity at December 31st, 2005	**159,120**	**22,710**	**31,825**	**13,000**	**(13,754)**	**511,756**	**109,397**	**834,054**	**6,347**	**29,406**	**35,753**	**869,807**
Allocation of the 2005 net result						109,397	(109,397)	-	(6,347)	6,347	-	**-**
Dividends distributed 2005						(13,525)		(13,525)			-	**(13,525)**
Changes in share premium reserves		13,000		(13,000)				-			-	**-**
Intangible assets					(31,591)			(31,591)			-	**(31,591)**
Changes in other reserves						(1,119)		(1,119)		(255)	(255)	**(1,374)**
Change in translation reserve					(22,481)			(22,481)		(2,470)	(2,470)	**(24,951)**
Result for the year							114,366	114,366	8,735		8,735	**123,101**
Shareholders' equity at December 31st, 2006	**159,120**	**35,710**	**31,825**	**-**	**(67,826)**	**606,509**	**114,366**	**879,704**	**8,735**	**33,028**	**41,763**	**921,467**

Consolidated cash flow statement

(Euro thousands)	December 31st, 2006	December 31st, 2005
Net profit for the year	**123,101**	**115,744**
Amortisation and depreciation	63,462	63,087
(Revaluations) and write-downs	390	1,501
Net result of equity investments valued at equity method	(5,654)	(5,545)
Net financial result	18,536	8,764
(Gains) losses on disposals	(3,332)	(3,453)
Income taxes	45,807	(793)
Change in employment benefit provisions	846	1,478
Change in current and non-current provisions	(459)	1,919
Operating cash flow before working capital changes	**242,697**	**182,702**
(Increase) Decrease in inventories	(8,526)	(15,667)
(Increase) Decrease in trade receivables	(27,233)	(27,739)
Increase (Decrease) in trade payables	17,889	14,165
Change in other current and non-current liabilities	1,017	(19,595)
Change in deferred and current income taxes	11,346	(2,462)
Operating cash flow	**237,190**	**131,404**
Dividends received	-	-
Interest and other income received	11,210	8,405
Interest and other charges paid	(30,992)	(22,265)
Income tax paid	(36,707)	(12,154)
Cash flow from operating activities (A)	**180,701**	**105,390**
Investments in intangible assets	(16,073)	(108,869)
Investments in tangible assets	(216,496)	(149,104)
Equity investments and non-current securities	-	4,434
Sale of intangible assets	18	-
Sale of tangible assets	15,461	9,037
Sale of equity investments and non-current securities	14,449	-
(Increase)/Decrease equity investments and current securities	-	1,771
Other investment activity changes	56,269	1,743
Cash flow from investing activities (B)	**(146,372)**	**(240,988)**
Change in non-current financial assets and liabilities	(81,376)	147,186
Change in current financial assets and liabilities	105,755	(58,729)
Dividends distributed	(13,525)	(12,801)
Other net equity changes	(54,072)	39,382
Cash flow from financing activities (C)	**(43,218)**	**115,038**
Effect exchange differences on cash and cash equivalents (D)	**(1,635)**	**4,041**
Net changes of cash and cash equivalents (A+B+C+D)	**(10,524)**	**(16,519)**
Cash and cash equivalents at the beginning of the year	**41,750**	**58,269**
Cash and cash equivalents at the end of the year	**31,266**	**41,750**

Notes to the consolidated financial statements

General information

Cementir SpA (Parent Company), a limited liability company with its registered office in Italy - Corso di Francia 200, Rome - and its subsidiaries constitute the "Cementir Group" (hereafter the "Group") which principally operates internationally in the ready-mix and white cement sectors.

The Shareholders with holdings above 2% of the share capital, as per the shareholder register, and according to the communications received in accordance with article 120 of Legislative Decree No. 58 of February 24th, 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) Caltagirone Francesco Jr., 4,889,244 (3.073%).
4) Pantheon 2000 S.p.A., 4,466,928 shares (2.807%)

The consolidated financial statements at December 31st, 2006 of Cementir group were approved by the Board of Directors on March 14th, 2007 which authorised the publication of the principal results.

Compliance with the International Accounting Standards IFRS/IAS

Consolidated financial statements of Cementir Group have been drawn up in compliance with International Accounting Standards (IFRS) and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), approved by the European Community at December 31st, 2006. The Group did not opt for the advance adoption of the principles, interpretations and updates already approved, which are applicable after the date of the present accounts, in particular:

IFRIC 7 Applying the Restatement Approach under IAS 29	This interpretation will be effective for the annual accounts subsequent to March 1st, 2006. The interpretation is not significant for the Group.
IFRIC 8 Scope of IFRS 2	This interpretation will be effective for the annual accounts subsequent to May 1st, 2006. The interpretation is not significant for the Group.
IFRIC 9 Reassessment of Embedded Derivatives	This interpretation will be effective for the annual accounts subsequent to June 1st, 2006. The interpretation is not significant for the Group.
IFRS 7 Financial Instruments Disclosure	The new standard introduces new disclosure requirements for financial instruments and will be effective from January 1st, 2007.

Basis of presentation

Consolidated financial statements as at December 31st, 2006 are presented in Euro and the amounts are shown in thousands, except where indicated otherwise. Consolidated financial statements consist of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the consolidated financial statements. The basis of presentation of the Group financial statements is as follows:

- current and non-current assets and current and non-current liabilities are presented as separate classifications in the balance sheet;
- the income statement items are classified by the nature of the expense;
- the statement of changes in shareholders' equity is based on changes in equity;
- the cash flow statement is presented using the indirect method.

The accounting principles and criteria applied in the present financial statements are in line with those adopted in the consolidated financial statements for the year ended December 31st, 2005.

Consolidation principles

Consolidation area

The subsidiaries included in the consolidation area and the associated companies are provided in Annex 1 and the list of significant investments, in accordance with article 126 of CONSOB Resolution No. 11971 of May 14, 1999 is provided in Annex 2 to these notes.

Subsidiary companies

The consolidation area includes the parent company Cementir SpA and the companies in which it exercises direct or indirect control. This control is exercised either due to directly or indirectly holding a 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.

Subsidiaries are consolidated from the date in which the control is assumed until the moment in which this control terminates. The interim financial statements used for the consolidation were prepared at December 31st, 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

Associated companies, companies in which the Group exercises a significant influence but does not control and jointly controlled companies about financial and operating policies, are valued at equity method, that is book value initially recognised at cost and subsequently increased or decreased to recognise the share of the result in the associate net of the profits and losses infragroup. The profits and losses pertaining to the Group are recognised 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 group is committed to comply with legal or implicit obligations of the company or in any case to cover the losses, the excess is recognised as a liability.

Consolidation procedure

The assets and liabilities, and the income and expenses, of the companies consolidated on a line-by-line basis are fully included in the consolidated financial statements.

The business combinations, in which the control of an 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, is allocated to the account "Goodwill", and if negative is recognised in the income statement. The acquisition cost is based on the fair value, at the purchase date, of assets acquired, of liabilities incurred and of capital instruments issued, and any other accessory expenses.

The share of the equity and of the result for the year relating to minority interests are recognised in specific accounts in the balance sheet and income statement.

All infragroup balances and transactions, including any unrealised gains with third parties, are eliminated net of the fiscal effect, if significant.

The gains and losses not realised with third parties, generated from transactions with associated companies, are eliminated for the part of the Group. The losses not realised are eliminated except when they represent a loss in value.

Accounting principles

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, identifiable, under control and capable of generating future economic benefits. They are recognised at cost, including direct accessory costs necessary in order to render the asset available for use.

On initial recognition, the useful life is determined for each intangible asset. Intangible assets with indefinite useful lives are those activities for which, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period in which the cash flow generated is limited for the Group. The estimate of the useful lives 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 no expected future benefits is expected from its use, and any loss or gain (calculated as the difference between the sale price and the carrying amount) is recognised in the income statement in the year of the above-mentioned elimination.

Intangible assets with finite useful lives are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation begins when the asset is available for use and is recognised 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 indefinite useful lives are those activities for which, on the basis of an analysis of all of the relevant 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 recognised at purchase cost, determined in the same manner as that indicated for intangible assets with finite useful lives, and are not amortised, but undergo an impairment test annually or more frequently, if specific events indicate they may have incurred a impairment in accordance with the procedures described for goodwill below. 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 recognised at 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 recognised in the financial statements as an intangible asset. Any negative difference ("negative goodwill") is recognised in the income statement at the date of acquisition.

After the initial recognising, the goodwill is not amortised, but is subject annually or more frequently if specific events indicate the possibility to have incurred an impairment, to determine the existence of any impairment in value. Write-downs may not be reversed in a subsequent period.

Property, plant and equipment

Tangible assets are recognised 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 expenses 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 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 in accordance with the component approach.

Tangible assets are recognised net of accumulated depreciation and any impairment. 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.

The estimated useful lives of property, plant and equipment are as follows:

	Useful life tangible assets
Quarries	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, the tangible asset is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recognised 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.

Impairment

At each period end, the book value of intangible and tangible 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 amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable amount. 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 occur which require this.

The recoverable amount of intangible and tangible 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 using a pre-tax discount rate that reflects the current market assessment of the time value of money 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 amount. 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 recognised if no write-down had taken place and amortisation had been recognised.

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 included in 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 impairments are recognised in the Income Statement under the account amortisation, depreciation and write down costs.

Inventories

Raw materials, semi-finished and finished products are measured 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 as 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 recognised 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 for any 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 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 recognised 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.

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.

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 plans (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 recognised on an accruals basis over the maturity period of the right. The valuation of the liability is 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 recognised 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 recognition in the financial statements of a defined benefit plan requires an estimate of the value of the services matured 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 recognised in the income statement under personnel costs.

The discounting is 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 changes in the actuarial parameters described above, are fully recognised in the income statement.

From January 1st, 2007, the *Finance Act* and relative decrees enacted introduced important amendments in relation to the employee leaving indemnity, among which, the choice of the employee to determine where the leaving indemnity matured in the period is invested. In particular, the leaving indemnity may be utilised by the employee for their own chosen pension scheme or the employee may choose to leave the leaving indemnity in the company (in this case, the company pays the leaving indemnity contributions to a INPS treasury account). At the present moment, the interpretative uncertainty on the above-mentioned recently enacted regulations, the possible different interpretations of the qualification as per IAS 19 of the maturing leaving indemnity and the consequent amendments on the actuarial calculations relating to the leaving indemnity matured, as well as the impossibility to estimate the choices of employees on the allocation of the indemnity maturing (for which each individual employee has until June 30th, 2007 to decide), renders premature any assumption to change the actuarial calculation of the leaving indemnity matured at December 31st, 2006.

Provision

Provisions are recognised 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 recognised 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 recognised as a financial expense. If the liability relates to a tangible asset (example reclamation of sites), the counterparty of the provision is recognised under the asset to which it refers; the recognising of the charge to the income statement is made through the process of depreciation of the tangible asset to which the charge refers to.

Grants

The grants from public entities and private third parties are recognised 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 recognised 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.

Operating grants are fully recognised to the income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised in accordance with the probability that the Group will receive economic benefits and the amount can be determined reliably. The revenues are recognised at the fair value of the amount received less VAT, returns, premiums and discounts.

In particular, the revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser. Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Financial income and expense

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

Dividends

Revenues are recognised 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 recognised 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 period 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 settled.

The recognition 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.

Current and deferred income taxes are recognised 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 expenses.

Earnings per share

(i) Basic: The basic earnings per share is 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 is 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 is 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 the 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 recognised 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 recognised 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 recognised 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 recognised in equity in a separate reserve.
On the disposal of a foreign subsidiary, the accumulated translation differences recognised 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.

Use of estimates
The preparation of the consolidated financial statements requires 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 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 assets;*
- *Depreciation of assets:* Depreciation represents a significant cost for the Group. The cost of property, plant and equipment 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 expenses and the recovery value to update the residual useful life. This periodic update could result in a change in the depreciation period and therefore in 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.

Risk assessments

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 operating procedures permit a control of the risk connected to the receivable, limiting the sales of products and/or services to clients with 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.

Currency risks

The Group companies, operating at an international level, are structurally exposed to currency 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 Icelandic Crown, all deriving from exports to these countries. The principal exposures for loans in foreign currencies compared to the local currencies are in Turkey, in US Dollars. 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 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 of 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.

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 segment 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 and operating in identified regions. The cement/clinker activity supplies a part of its production to the ready mixed concrete 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 by geographic area for the year ended December 31st, 2006:

(Euro thousands)	**Revenues**	*Intra-segment revenues*	*Revenues from grants*	**Segment result (EBITDA)**	**Result of equity investments valued at equity method**
Italy	242,004	2,865	239,139	59,796	24
Denmark	373,820	15,234	358,586	80,613	(374)
Other Scand. countries	174,937	-	174,937	23,847	604
Turkey	219,043	1,884	217,159	64,238	-
Egypt	31,774	350	31,424	12,778	-
Far East	20,669	-	20,669	4,259	(37)
Rest of the world	25,500	22	25,478	1,836	5,437
(elimination for exch. between countries)	(20,355)	(20,355)	-	-	-
Total	**1,067,392**	**-**	**1,067,392**	**247,367**	**5,654**

The following table shows the revenues and results by geographic area for the year ended December 31st, 2005:

(Euro thousands)	**Revenues**	*Intra-segment revenues*	*Revenues from grants*	**Segment result (EBITDA)**	**Result of equity investments valued at equity method**
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 exchange between countries)	(13,418)	(13,418)	-	-	-
Total	**874,060**	**-**	**874,060**	**184,431**	**5,545**

The following table shows the other data of the geographic areas at December 31st, 2006:

(Euro thousands)	**Segment assets**	**Segment liabilities**	**Tangible and intangible asset investments**	**Amortisation, depreciation, write-downs and provisions**
Italy	367,706	316,675	26,172	12,386
Denmark	539,875	214,270	68,655	25,890
Other Scand. countries	118,901	46,463	8,322	7,017
Turkey	522,550	150,400	109,664	16,194
Egypt	54,345	24,427	4,890	1,996
Far East	42,013	8,761	1,082	2,343
Rest of the world	40,798	3,725	13,784	660
Total	**1,686,188**	**764,721**	**232,569**	**66,486**

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

(Euro thousands)	Segment assets	Segment liabilities	Tangible and intangible asset investments	Amortisation, depreciation, write-downs and provisions
Italy	387,518	289,713	11,811	16,026
Denmark	485,888	204,416	24,169	22,868
Other Scandinavian countries	113,595	41,733	8,047	6,718
Turkey	445,079	124,743	157,481	13,678
Egypt	57,497	31,954	1,624	1,989
Far East	42,532	5,286	1,296	1,913
Rest of the world	52,821	17,278	2,252	1,990
Total	**1,584,930**	**715,123**	**206,680**	**65,182**

Secondary Segment

The following table shows the data of the business segments at December 31st, 2006:

(Euro thousands)	Segment assets	Revenues	Investment in property, plant and equipment and intangible assets
Cement	1,414,313	655,560	185,246
Ready mixed concrete	239,025	377,990	46,180
Other activities	32,850	33,842	1,143
TOTAL	**1,686,188**	**1,067,392**	**232,569**

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

(Euro thousands)	Segment assets	Revenues	Investment in property, plant and equipment and intangible assets
Cement	1,325,922	525,534	191,554
Ready mixed concrete	215,946	316,834	14,907
Other activities	43,062	31,692	219
TOTAL	**1,584,930**	**874,060**	**206,680**

The following table shows the revenues from sales to customers for each of the geographic areas at December 31st, 2006:

(Euro thousands)	Italy	Denmark	Other Scandinavian countries	Turkey	Egypt	Far East	Rest of the world	Total
Revenues by geographic location of the clients	241,113	262,436	179,762	189,763	12,874	30,348	133,365	**1,049,661**

Notes to the consolidated report

1) Intangible assets

Intangible assets amount to Euro 457,547 thousand (Euro 474,847 thousand at December 31st, 2005) including intangible assets with definite useful lives of Euro 9,465 thousand (Euro 6,129 thousand at December 31st, 2005) and intangible assets with indefinite useful lives of Euro 448,082 thousand (Euro 468,718 thousand at December 31st, 2005).

Intangible assets with finite useful life

At December 31st, 2006, the intangible assets with definite useful life amounted to Euro 9,465 thousand (Euro 6,129 thousand at December 31st, 2005). In particular, the concession 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)	Development costs	Concession rights	Other intangible assets	Assets in progress and advances	Total
Gross value at January 1st, 2005	**129**	**5,276**	**4,990**	**930**	**11,325**
Increases	-	116	675	625	1,416
Decreases	-	(27)	(1)	(765)	(793)
Translation differences	2	471	385	17	875
Reclassifications	-	-	1,751	-	1,751
Gross value at December 31st, 2005	**131**	**5,836**	**7,800**	**807**	**14,574**
Amortisation at Jan. 1st, 2005	**70**	**3,279**	**3,894**	**-**	**7,243**
Amortisation	26	503	384	-	913
Decreases	-	-	(1)	-	(1)
Translation differences	-	53	237	-	290
Amortisation at December 31st, 2005	**96**	**3,835**	**4,514**	**-**	**8,445**
Net book value at December 31st, 2005	**35**	**2,001**	**3,286**	**807**	**6,129**

(Euro thousands)	Development costs	Concession rights	Other intangible assets	Assets in progress and advances	Total
Gross value at January 1st, 2006	**131**	**5,836**	**7,800**	**807**	**14,574**
Increases	-	1,300	537	2,703	4,540
Decreases	-	-	-	-	-
Changes in consolidation area	9	1,772	(2,770)	(182)	(1,171)
Translation differences	(2)	(331)	(326)	1	(658)
Reclassifications	-	-	46	(18)	28
Gross value at December 31st, 2006	**138**	**8,577**	**5,287**	**3,311**	**17,313**
Amortisation at January 1st, 2006	**96**	**3,835**	**4,514**	**-**	**8,445**
Amortisation	22	511	388	-	921
Changes in consolidation area	5	324	(1,610)	-	(1,281)
Translation differences	(1)	(66)	(170)	-	(237)
Amortisation at December 31st, 2006	**122**	**4,604**	**3,122**	**-**	**7,848**
Net book value at December 31st, 2006	**16**	**3,973**	**2,165**	**3,311**	**9,465**

Intangible assets with indefinite useful life

The intangible assets with indefinite useful lives are periodically subject to verifications to determine the existence of any permanent reduction in value.

At December 31st, 2006, the account amounts to Euro 448,082 thousand (Euro 468,718 thousand at December 31st, 2005) and includes the consolidation differences recognised following the acquisition of the Cimentas and Aalborg Portland groups. The decrease is principally due to the translation difference of the goodwill recognised by the subsidiary Cimentas following the write-down of the Turkish Lira against the Euro.

	31.12.2006			31.12.2005		
(Euro thousands)	**Turkey (Cimentas Group)**	**Denmark (Aalborg Unicon Group)**	**Total**	**Turkey (Cimentas Group)**	**Denmark (Aalborg Unicon Group)**	**Total**
Book value at January 1st	**213,473**	**255,245**	**468,718**	**109,612**	**253,196**	**362,808**
Increases	-	4,736	**4,736**	87,079	242	**87,321**
Decreases	-	-	**-**	-	-	**-**
Write-downs	-	(849)	**(849)**	-	-	**-**
Change in the consolidation area	7,068	-	**7,068**	-	-	**-**
Translation differences	(30,925)	(666)	**(31,591)**	16,782	1,807	**18,589**
Book value at December 31st	**189,616**	**258,466**	**448,082**	**213,473**	**255,245**	**468,718**

The Group has made 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, in the next three years, of each single CGU or, where available, using the relative market value relating to recent transactions of comparable activities. In relation to expected cash flows, the discount rate was determined for each country where the Group operates in accordance with the WACC method (weighed average cost of capital). The verifications made did not give rise to any permanent reduction in value either at December 31st, 2006 or for the year 2006.

Key assumptions for the determination of the value in use:

(Euro thousands)	**Turkey (Cimentas Group)**	**Denmark (Aalborg Unicon Group)**
Ebitda	64,205	123,469
Growth rate	9%	2%
Discount rate	21%	8%

2) Property, plant and equipment

At December 31st, 2006, property, plant and equipment amounted to Euro 804,933 thousand (Euro 695,982 thousand at December 31st, 2005).

The additional disclosures required for each property, plant and equipment are provided below:

(Euro thousands)	Land and buildings	Quarries	Plant and equipment	Others	Assets in course of construction and advances	Total
Gross value at January 1st, 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 area	6,029	-	14,723	70	-	20,822
Translation differences	20,124	119	44,805	4,834	314	70,196
Reclassifications	(3,126)	1,427	31,975	627	(32,654)	(1,751)
Gross value at December 31st, 2005	**359,102**	**12,543**	**1,005,031**	**66,091**	**13,587**	**1,456,354**
Depreciation at January 1st, 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 area	4,336	-	13,673	48	-	18,057
Translation differences	8,074	23	26,668	3,917	-	38,682
Reclassifications	(914)	1,013	(60)	(39)	-	-
Depreciation at December 31st, 2005	**177,624**	**2,525**	**533,001**	**47,222**	**-**	**760,372**
Net book value at December 31st, 2005	**181,478**	**10,018**	**472,030**	**18,869**	**13,587**	**695,982**

(Euro thousands)	Land and buildings	Quarries	Plant and equipment	Others	Assets in course of construction and advances	Total
Gross value at January 1st, 2006	**359,102**	**12,543**	**1,005,031**	**66,091**	**13,587**	**1,456,354**
Increases	7,073	12	26,487	9,769	55,748	99,089
Decreases	(3,663)	(1)	(6,673)	(4,479)	(39)	(14,855)
Change in the consolidation area	42,474	(2,015)	42,441	10,137	5,806	98,843
Translation differences	(22,950)	26	(55,508)	(5,335)	(1,222)	(84,989)
Reclassifications	3,498	4,686	9,568	662	(18,442)	(28)
Gross value at December 31st, 2006	**385,534**	**15,251**	**1,021,346**	**76,845**	**55,438**	**1,554,414**
Depreciation at January 1st, 2006	**177,624**	**2,525**	**533,001**	**47,222**	**-**	**760,372**
Depreciation	9,280	106	46,909	6,245	-	62,540
Decreases	(2,911)	(1)	(5,503)	(3,830)	-	(12,245)
Change in the consolidation area	(7,543)	1,126	(3,438)	(5,389)	-	(15,244)
Translation differences	(9,197)	2	(32,503)	(4,244)	-	(45,942)
Reclassifications	-	-	-	-	-	-
Depreciation at December 31st, 2006	**167,253**	**3,758**	**538,466**	**40,004**	**-**	**749,481**
Net book value at December 31st, 2006	**218,281**	**11,493**	**482,880**	**36,841**	**55,438**	**804,933**

The useful life adopted by the Group is shown in the paragraph relating to the accounting principles and to which reference should be made.

The net book value of the property, plant and equipment provided as guarantees on bank loans amounts to Euro 13,619 thousand at December 31st, 2006 (Euro 19,875 thousand at December 31st, 2005).

The amount of 46,277 thousand (Euro 17,775 thousand at December 31st, 2005) 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, by an independent expert's report, 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 of a residual value of Euro 15.6 million at December 31st, 2006.

4) Investments valued at equity method

The account includes the share of equity in associated companies, consolidated with the equity method.

The carrying amount of these investments and the share of results of the parent company Cementir SpA are shown below:

(Euro thousands)	Book value		Share of result	
	31.12.2006	**31.12.2005**	**2006**	**2005**
Speedybeton SpA	1,998	2,123	24	255
Leigh White Cement Company joint venture	13,998	15,062	5,691	4,504
Aalborg Siam White Cement Pte Ltd	-	95	(37)	(12)
Secil Unicon SGPS Lda	2,198	3,166	(909)	(24)
Sola Betong AS	1,775	1,612	538	377
Storsand Sandtak AS	417	364	66	31
EKOL Unicon Spzoo	2,361	1,844	655	495
Skancon A/S	-	1,001	(374)	(81)
Total	**22,747**	**25,267**	**5,654**	**5,545**

The tables below summaries the data of the associated companies:

(Euro thousands)

Company	Currency	Registered offices	Assets	Liabilities	Revenues	Net profit (loss) for the year	% held
31.12.2005							
Speedybeton SpA	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)	12,298	10,448	5,852	(161)	50
			110,074	**33,822**	**179,092**	**21,195**	

(Euro thousands)

Company	Currency	Registered offices	**Assets**	**Liabilities**	**Revenues**	**Net profit(loss) for the year**	% held
31.12.2006							
Speedybeton SpA	EURO	Pomezia – RM (Italy)	14,364	7,831	19,380	80	30
Leigh White Cement Company - *joint venture*	USD	Allentown (USA)	59,869	10,189	129,853	23,227	24.5
Aalborg Siam White Cement Pte Ltd	SGD	Singapore (Singapore)	-	-	-	(74)	50
Secil Unicon SGPS Lda	EURO	Lisbon (Portugal)	7,090	13	-	(1,817)	50
Sola Betong AS	NOK	Risavika (Norway)	6,172	2,637	12,762	1,616	33.3
Storsand Sandtak AS	NOK	Saette (Norway)	950	430	896	132	50
EKOL Unicon Spzoo	PLN	Gdansk (Poland)	7,657	2,837	12,579	1,335	49
Skancon A/S *	DKK	Hinnerup (Denmark)	-	-	4,864	(748)	50
			96,102	**23,937**	**180,334**	**23,751**	

* The data of Skancon refers to the first quarter of 2006, before the acquisition of the remaining 50% of the shares.

5) Other investments

The other investments amounting to Euro 2,778 thousand (Euro 2,563 thousand at December 31st, 2005) 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 2,763 thousand (Euro 2,548 thousand at December 31st, 2005) held in unlisted companies, composed as follows:

(Euro thousands)	Cemencal SpA	Calcestruzzi ed Inerti Srl	Sipac SpA (in liquidation)	Cimentas Egitim (Foundation)	Ataer AS	Other	**Total**
Book value at January 1st, 2005	**2,400**	**2**	**77**	**54**	**7**	**-**	**2,540**
Increases							-
Decreases		(2)					(2)
Translation differences				8	2		10
Book value at December 31st, 2005	**2,400**	**-**	**77**	**62**	**9**	**-**	**2,548**
Book value at January 1st, 2006	**2,400**	**-**	**77**	**62**	**9**	**-**	**2,548**
Increases							-
Decreases							-
Change in consolidation area						225	225
Translation differences				(9)	(1)		(10)
Book value at December 31st, 2006	**2,400**	**-**	**77**	**53**	**8**	**225**	**2,763**

6) Non-current financial assets

The account equal to Euro 431 thousand (Euro 379 thousand at December 31st, 2005) principally relates to receivables for deposits due within five years.

7) Inventories

The breakdown of inventories is as follows:

(Euro thousands)	31.12.2006	31.12.2005
Raw materials, supplies and consumables	64,109	59,216
Work in progress products	17,523	15,431
Finished goods	20,613	19,551
Advances	1,692	1,212
Total inventories	**103,937**	**95,410**

8) Trade receivables

Trade receivables, amounting to Euro 195,233 thousand (Euro 168,047 thousand at December 31st, 2005), are broken down as follows:

(Euro thousands)	31.12.2006	31.12.2005
Trade receivables	200,615	172,014
Provisions for doubtful debts	(5,382)	(3,967)
Total trade receivables	**195,233**	**168,047**

Trade receivables, originating from commercial transactions from the sale of goods and services, do not have significant credit risk concentration. The book value of the trade receivables approximates their fair value.

9) Current financial assets

The account amounts to Euro 858 thousand (Euro 2,284 thousand at December 31st, 2005) and refers prevalently to deferred income on subsidised interest. For greater clarity on disclosure, given the contractual conditions, the financial assets were classified net of the corresponding financial liabilities for Euro 85,642 thousand. The values of the previous year were also consequently adjusted.

10) Other current assets

Other current assets, amounting to Euro 14,353 thousand (Euro 8,393 thousand at December 31st, 2005), consist of items not of a commercial nature. The breakdown of this account is as follows:

(Euro thousands)	31.12.2006	31.12.2005
VAT receivables	3,396	863
Receivables from employees	630	39
Other receivables	10,327	7,491
Total other current assets	**14,353**	**8,393**

The other receivables principally relate to prepayments and to the repayment of taxes paid in Denmark.

11) Cash and cash equivalents

The account amounts to Euro 31,226 thousand (Euro 41,750 thousand at December 31st, 2005) and consists of the Group's liquidity, mainly in short-term investments.

(Euro thousands)	31.12.2006	31.12.2005
Bank and postal deposits	30,920	41,196
Cash	306	554
Total cash and cash equivalents	**31,226**	**41,750**

12) Shareholders' equity

Group shareholders' equity

The reconciliation between shareholders' equity and the result at December 31st, 2006 of the parent company and the Group is shown in page 9.

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 31st, 2006 is a negative amount of Euro 67,826 thousand and is comprised as follows:

(Euro thousands)	31.12.2006	31.12.2005	Change
Turkey (Turkish Lira)	(65,553)	(17,370)	(48,183)
United States (Dollar)	(1,799)	1,673	(3,472)
Egypt (Egyptian Sterling)	(490)	915	(1,405)
Poland (Zloty)	99	625	(526)
Other countries	(83)	403	(486)
Total translation reserve	**(67,826)**	**(13,754)**	**(54,072)**

Minority interest shareholders' equity

The minority interest shareholders' equity at December 31st, 2006 amounts to Euro 41,763 thousand (Euro 35,753 thousand at December 31st, 2005). The result in 2006 was Euro 8,735 thousand (Euro 6,347 thousand in 2005).

13) Employee benefit provisions

Provisions have been accrued 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 is a defined benefit plan and therefore is determined applying the actuarial method.

The actuarial assumptions relating to the determination of the plan are summarised in the table below:

	31.12.2006	31.12.2005
Annual discounting rate	3.8% - 4% - 5.7%	3.3% - 6% - 5.5%
Annual salary increases	1,9%-3%-4%	1,9% - 3%
Annual increase in employee leaving indemnity	2.8%	3%

The amounts recognised in the balance sheet were as follows:

(Euro thousands)	31.12.2006	31.12.2005
Nominal value of the provision	22,925	20,346
Actuarial adjustment	(5,782)	(4,050)
Total provision for employees	**17,143**	**16,296**

The movements are as follows:

(Euro thousands)	31.12.2006	31.12.2005
Net liability at January 1st	**16,296**	**14,818**
Current service cost	2,048	1,755
Financial expenses	565	371
Net actuarial (gain) loss	(221)	(790)
Change in the consolidation area	1,210	-
Translation differences	(363)	446
Other changes	(108)	799
Settlement / Services paid	(2,284)	(1,103)
Net liability at December 31st	**17,143**	**16,296**

14) Provisions

The non-current and current provisions amount to Euro 12,330 thousand (Euro 11,608 thousand at December 31st, 2005) and Euro 54 thousand (Euro 1,235 thousand at December 31st, 2005) respectively and are as follows:

(Euro thousands)	Quarry restructuring provision	Legal provision	Other provisions	Total Provisions	Non current provisions	Current provisions
Book value at January 1st, 2005	**3,048**	**1,344**	**6,532**	**10,924**	**10,220**	**704**
Provisions		172	3,105	3,277		
Utilisations			(390)	(390)		
Decreases	(968)			(968)		
Book value at December 31st, 2005	**2,080**	**1,516**	**9,247**	**12,843**	**11,608**	**1,235**
Book value at January 1st, 2006	**2,080**	**1,516**	**9,247**	**12,843**	**11,608**	**1,235**
Provisions			2,634	2,634		
Utilisations			(1,484)	(1,484)		
Decreases			(265)	(265)		
Translation differences			(279)	(279)		
Other changes			(1,065)	(1,065)		
Book value at December 31st, 2006	**2,080**	**1,516**	**8,788**	**12,384**	**12,330**	**54**

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 of the concessions.

15) Trade payables

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

(Euro thousands)	**31.12.2006**	**31.12.2005**
Trade payables	149,551	130,531
Payables to related parties	1,037	1,588
Advances	1,528	2,107
Total trade payables	**152,116**	**134,226**

16) Financial liabilities

Non-current and current financial liabilities are shown below:

			Effective interest rate	
(Euro thousands)	**31.12.2006**	**31.12.2005**	**2006**	**2005**
Bank borrowings	111,651	136,302		
Other lenders borrowings	62,666	30,783		
Non-current financial liabilities	**174,317**	**167,085**	**4.38%**	**4.17%**
Banks borrowings	270,027	257,363		
Short term amount of non-current financial liabilities	16,607	13,858		
Other financial liabilities	8,461	9,147		
Fair value of the hedging instruments	212	413		
Current financial liabilities	**295,307**	**280,781**	**3.22%**	**3.02%**
Total financial liabilities	**469,624**	**447,866**		

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

(Euro thousands)	**31.12.2006**	**31.12.2005**
Between 1 and 5 years	139,247	154,551
Over 5 years	35,070	12,534
Total non-current financial liabilities	**174,317**	**167,085**

Net financial position

(Euro thousands)	31.12.2006	31.12.2005
Cash	306	554
Other liquidity	30,920	41,196
Cash and cash equivalents	*31,226*	*41,750*
Current financial assets	*858*	*2,198*
Bank borrowings current	(278,832)	(263,419)
Other current financial payables	(16,475)	(17,362)
Current financial liabilities	*(295,307)*	*(280,781)*
Net financial liabilities current	**(263,223)**	**(236,833)**
Financial liabilities non-current	**(174,317)**	**(166,706)**
Net financial position	**(437,540)**	**(403,539)**

The net debt to related parties represents 1.3% of the group net debt and relates to the residual payable to Vianini Industria SpA for the acquisition of the US company Vianini Pipe Inc.

17) Other current liabilities

(Euro thousands)	31.12.2006	31.12.2005
Payables to employees	16,494	9,527
Payables to social security authorities	2,937	2,707
Payables to related parties	113	3
Other payables	18,521	18,694
Total other current liabilities	**38,065**	**30,931**

18) Deferred tax assets and liabilities

Deferred taxes are calculated on the temporary differences between the assessable taxable income and the result from the financial statements. Deferred tax liabilities, amounting to Euro 67,664 thousand (Euro 68,015 thousand at December 31st, 2005) and the deferred tax assets, amounting to Euro 26,399 thousand (Euro 40,496 thousand at December 31st, 2005), were determined as follows:

(Euro thousands)	01.01.2006	Provision net in income statement	Net increase in shareholders' equity	31.12.2006
Deferred tax liabilities				
Difference on tax depreciation	37,430	898	(734)	37,594
Difference on tax amortisation	-	1,539	4,323	5,862
Plant revaluation	19,300	(3,267)	(3,102)	12,931
Gains	-	(1,009)	2,743	1,734
Others	11,285	147	(1,889)	9,543
Total deferred tax liabilities	**68,015**	**(1,692)**	**1,341**	**67,664**
Deferred tax assets				
Tax losses carry forward	22,287	(13,886)	3,803	12,204
Provision	1,895	823	826	3,544
Write down of investments	13,800	(9,932)	-	3,868
Others	2,514	(3,623)	7,892	6,783
Total deferred tax assets	**40,496**	**(26,618)**	**12,521**	**26,399**

19) Revenues

(Euro thousands)	**2006**	**2005**
Revenues from products sales	1,020,510	826,811
Revenues from services	29,151	30,969
Total revenues	**1,049,661**	**857,780**

20) Other operating revenues

(Euro thousands)	**2006**	**2005**
Rent, rental income	1,266	2,189
Gains	3,748	7,089
Provisions write-off	265	-
Insurance reimbursements	2,306	-
Other income and revenues	4,030	5,898
Total other operating revenues	**11,615**	**15,176**

21) Raw material costs

(Euro thousands)	**2006**	**2005**
Raw materials and semi-finished goods	198,622	161,150
Fuel	84,595	68,387
Electricity	70,780	56,607
Finished goods	8,632	7,903
Other materials	54,538	48,970
Change in inventories of raw material, consumables and goods	(5,333)	(9,586)
Total other operating costs	**411,834**	**333,431**

22) Personnel costs

(Euro thousands)	**2006**	**2005**
Salaries and wages	120,702	99,897
Social contributions	16,129	13,824
Other costs	11,387	7,258
Total personnel costs	**148,218**	**120,979**

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

	2006	**2005**	**Average 2006**	**Average 2005**
Executives	60	69	67	65
Employees and middle management	1,984	1,481	1,621	1,434
Workers	1,701	1,576	1,792	1,637
Total	**3,745**	**3,126**	**3,480**	**3,136**

In particular, at December 31st, 2006 the number of employees of the parent company Cementir and the italian subsidiaries was 581 (575 at December 31st, 2005), while the number of employees in Cimentas Group was 1,153 (888 at December 31st, 2005), in Aalborg Group 1,048 (1,007 at December 31st, 2005) and in Unicon Group 963 (656 at December 31st, 2005).

23) Other operating costs

(Euro thousands)	2006	2005
Transport	118,778	113,419
Services and maintenance	68,226	59,172
Consultants fees	6,265	6,235
Insurance premiums	4,651	4,594
Other services	37,994	31,516
Rent, rental costs	7,511	5,204
Indirect taxes	9,120	7,579
Other operating costs	7,428	7,500
Total other operating costs	**259,973**	**235,219**

24) Amortisation, depreciation, write-downs and provisions

(Euro thousands)	2006	2005
Amortisation of intangible assets	922	926
Depreciation of tangible assets	62,540	60,557
Provisions	2,634	3,277
Write-downs	390	422
Total amortisation, depreciation, write-downs and provisions	**66,486**	**65,182**

25) Net result of financial costs and equity investments valued at equity method

The negative result in 2006 of Euro 11,973 thousand (Euro 4,298 thousand in 2005), refers to the results of the investments valued at equity method and the net financial result, and is composed of:

(Euro thousands)	2006	2005
Income from investments valued at equity method	6,974	5,662
Losses from investments valued at equity method	(1,320)	(117)
Net result of equity investments valued at equity method	**5,654**	**5,545**
Interest and financial income	4,358	4,294
Interest expenses	(21,643)	(17,366)
Other financial expenses	(858)	(1,148)
Total financial income and expenses	*(18,143)*	*(14,220)*
Net translation differences	*(393)*	*5,488*
Net result divestment of enterprises	909	-
Write-down of investments	-	(1,111)
Total revaluations/write-downs	*909*	*(1,111)*
Net financial result	**(17,627)**	**(9,843)**
Net financial result and equity investments valued at equity method	**(11,973)**	**(4,298)**

In relation to the net exchange differences, they principally relate to the devaluation of the Turkish Lira against the US Dollar.

26) Income taxes

Income taxes amount to Euro 45,807 thousand (Euro 793 thousand in 2005), and consist of current income taxes of Euro 20,881 thousand (Euro 11,991 thousand in 2005) and net deferred tax expense of Euro 24,926 thousand (net deferred tax income of Euro 12,784 thousand in 2005).

The reconciliation between the theoretical tax charge and the tax recognised is shown below:

(Euro thousands)	2006		2005	
IRES	**Amount**	**Tax rate**	**Amount**	**Tax rate**
Profit before taxes	**168,908**	33%	**114,951**	33%
Theoretical tax charge		55,740		37,934
temporary differences deductible in future years	(34,827)		(29,525)	
permanent differences in the year	(4,684)		(9,664)	
temporary differences from previous years	(21,056)		(27,901)	
No taxable income	(28,098)		(8,879)	
different tax rates on foreign companies	(17,937)		(15,949)	
IRES - current tax	**62,306**	**17,021**	23,033	**10,650**
Effective tax charge		10%		9%
	2006		**2005**	
IRAP	**Amount**	**Tax rate**	**Amount**	**Tax rate**
Difference between value and cost of production	76,182	4.25%	21,295	4.25%
Income not assessable for Irap	2,432		(23,496)	
Non deductible costs for Irap	7,566		26,920	
Theoretical charge	**86,180**		**24,719**	
Net tax changes	(14,418)		9,430	
IRAP– current tax	**71,762**	**3,860**	34,149	**1,341**
Total current taxes	-	**20,881**	-	**11,991**

27) Earnings per share

The earning per share is calculated by dividing the Group net result for the year by the weighed average number of ordinary shares outstanding in the year.

(Euro thousands)	2006	2005
Group net profit	114,366	109,397
Weighted average number of ordinary shares outstanding	159,120	159,120
Basic earnings per share	**0.72**	**0.69**

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

28) Acquisitions and divestment of enterprises

Acquisition of Elazig Cimento

On September 21st, 2006, through the company Cimentas and its subsidiaries, 100% of the Turkish company Elazig Cimento was acquired; the total value of the operation amounted to USD 122 million, including debt already in the company acquired. The acquisition was recognised in accordance with IFRS 3 – *Business combinations:* in particular, the goodwill represents the excess of the cost of this acquisition costs over the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

The fair value of the assets and liabilities acquired, the determination of the goodwill and the cash flow from the investment are shown below:

(Euro thousands)		**Fair Value al 21.09.2006**
Net assets acquired		
Cash and cash equivalents		578
Property, plant and equipment		85,840
Trade receivables		7,454
Inventories		4,632
Other assets		767
Financial liabilities		(10,238)
Trade payables		(2,214)
Employee benefits		(1,180)
Deferred tax liabilities		(6,220)
Current tax liabilities		(2,186)
Total fair value of the net assets acquired		**77,233**
Goodwill	**(note 1)**	**7,068**
Price paid for the acquisition		**84,301**
Cash and cash equivalents of the company acquired		578
Cash out flow-net		**(83,723)**

Divestment

On March 2nd, 2006, the polish companies Unicon Beton Spzoo and Polish Gravel Industry Spzoo were sold for a price of Euro 13,501 thousand, realising a gain on the sale of Euro 909 thousand (note 25). The cash in flow net from the divestment was Euro 12,108 thousand.

29) Transactions with related parties

The transactions with related parties concerned:

- the parent company Caltagirone SpA and its subsidiaries;
- the associated companies;
- other related parties.

The transactions of Group companies with related parties relate to normal operations and are conducted at normal market conditions. There are no atypical or unusual transactions which are not within the normal business operations.

Cementir group companies 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.

At December 31st, 2006, Unicon had a financial payable of Euro 6,000 thousand (Euro 9,000 thousand at December 31st, 2005), relating to the residual balance due to Vianini Industria (company under common control) for the acquisition of 99.9% of the share capital of the US company Vianini Pipe Inc. The purchase contract provides for the payment in tranches until July 2008, with the payment of interest at normal market conditions.

The most significant financial transactions and balances are shown below:

(Euro thousands)	December 31st, 2006		2006		December 31st, 2005		2005	
	Receiv.	Payab.	Income	Expense	Receiv.	Payab.	Income	Expense
Parent company	-	-	-	-	-	-	-	-
Subsidiary companies	-	-	-	-	-	-	-	-
Associated companies	-	-	-	-	-	-	-	-
Companies under common control	-	6,000	37	277	1,626	9,000	51	166
Total	**-**	**6,000**	**37**	**277**	**1,626**	**9,000**	**51**	**166**

The most significant commercial transactions and balances are shown below:

(Euro thousands)	December 31st, 2006		2006		December 31st, 2006		2005	
	Receiv.	Payab.	Revenues	Costs	Receiv.	Payab.	Revenues	Costs
Parent company	-	918	-	918	-	1	-	-
Subsidiary companies	-	-	-	-	-	-	-	-
Associated companies	2,983	4	33,090	-	3,571	1,412	19,413	-
Companies under common control	1,531	228	1,622	1,683	1,264	178	-	-
Total	**4,514**	**1,150**	**34,712**	**1,279**	**4,835**	**1,591**	**19,413**	**-**

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 2006, Cementir sold a total of 17,315 tonnes of cement at market conditions (11,954 tonnes to Vianini Lavori and 5,361 Vianini Industria). Revenues and costs derived from commercial transactions with the holding company and companies under common control include various services including rental income and charges.

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, GENERAL MANAGER AND STATUTORY AUDITORS
(disclosure as per CONSOB deliberation of 1/07/1998)
(Euro thousands)

(A) Name	(B) Office held	(C) Period of office	(D) Expiry of office	(1) Emoluments for office in company	(2) Non-monetary benefits	(3) Bonus and other incentives	(4) Other remuneration
Francesco Caltagirone	Chairman	Full year	2008			4.730	
Alessandro Caltagirone	Director	Full year	2008	4			
Azzurra Caltagirone	Director	Full year	2008	1			
Luciano Leone	Director	Full year	2008	5			
Mario Ciliberto	Director	Full year	2008	3			1.102
Mario Delfini	Director	Full year	2008	6			
Pasquale Alcini	Director	Full year	2008	6			
Carlo Carlevaris	Director	Full year	2008	3			
Riccardo Nicolini	CEO and General Manager	Full year	2008	119		124	347
Walter Montevecchi	Director	Full year	2008				2.098
Saverio Caltagirone	Director	Full year	2008	5			66
Alfio Marchini	Director	Full year	2008	2			
Claudio Bianchi	Chairman of Board Statutory Auditor	Full year	2007	41			
Gianpiero Tasco	Statutory Auditor	Full year	2007	41			
Carlo Schiavone	Statutory Auditor	Full year	2007	41			24

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

EQUITY HOLDINGS OF DIRECTORS, GENERAL MANAGER AND STATUTORY AUDITORS

(disclosure as per CONSOB with deliberation 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 SpA	4,394,244	495,000	0	4,889,244
Edoardo Caltagirone	Cementir SpA	286,000	0	0	286,000
Alessandro Caltagirone	Cementir SpA	3,121,404	0	0	3,121,404
Azzurra Caltagirone	Cementir SpA	2,291,796	0	0	2,291,796
Mario Ciliberto	Cementir SpA	80,000	10,000	0	90,000
Riccardo Nicolini	Cementir SpA	20,000	69,498	31,998	57,500
Carlo Schiavone	Cementir SpA	5,000	0	0	5,000

The Chairman
of the Board of Directors

Annexes

Annex 1

The companies included in the consolidation scope are as follows:

Company	Registered Offices	Year end
Cementir S.p.A. – Parent Company	Rome (Italy)	31/12/2006
Aalborg Cement Company Inc.	Dover (USA)	31/12/2006
Aalborg Portland A/S	Aalborg (Denmark)	31/12/2006
Aalborg Portland Island HF	Kopavogur (Iceland)	31/12/2006
Aalborg Portland Polska Spzoo	Warsaw (Poland)	31/12/2006
Aalborg Portland US Inc	Dover (USA)	31/12/2006
Aalborg Portland White A/S	Aalborg (Denmark)	31/12/2006
Aalborg Portland White China A/S	Aalborg (Denmark)	31/12/2006
Aalborg Resources Sdn Bhd	Perak (Malaysia)	31/12/2006
Aalborg White (Philippines) Inc. (1)	Manila (The Phillipines)	31/12/2006
Aalborg White Anqing Co Ltd	Anqing (China)	31/12/2006
Aalborg White Asia Sdn Bhd	Perak (Malaysia)	31/12/2006
Aalborg White Cement Pty Ltd	Sydney (Australia)	31/12/2006
Aalborg White Italia S.r.l.	Rome (Italy)	31/12/2006
Aalborg White OOO	St. Petersburg (Russia)	31/12/2006
AB Sydsten	Malmö (Sweden)	31/12/2006
AGAB Syd AB	Malmö (Sweden)	31/12/2006
Alfacem S.r.l.	Rome (Italy)	31/12/2006
Bakircay A.S.	Izmir (Turkey)	31/12/2006
Calcestruzzi Picciolini S.p.A.	Rome (Italy)	31/10/2006
Cem 2004 S.r.l.	Rome (Italy)	31/12/2006
Cementir Delta S.p.A.	Rome (Italy)	31/12/2006
Cementir Espana S.L.	Madrid (Spain)	31/12/2006
CemMiljo A/S	Aalborg (Denmark)	31/12/2006
Cimbeton A.S.	Izmir (Turkey)	31/12/2006
Cimentas A.S.	Izmir (Turkey)	31/12/2006
Destek A.S.	Izmir (Turkey)	31/12/2006
Ekblads Betong AB	Jönköping (Sweden)	31/12/2006
Elazig Cimento	Elazig (Turkey)	31/12/2006
Everts Betongpumpning AB	Halmstad (Sweden)	31/12/2006
Forserumsten HB	Växjö (Sweden)	31/12/2006
4K Beton A/S	Copenhagen (Denmark)	31/12/2006
Gaetano Cacciatore Inc.	Somerville N.J.(USA)	31/12/2006
Globocem S.L.	Madrid (Spain)	31/12/2006
Intercem S.A.	Luxembourg (Luxembourg)	30/11/2006
JEPA Grus og Container	Malmö (Sweden)	31/12/2006

(1) Company in liquidation

Annex 1 *(continued)*

Company	Registered Offices	Year end
Kars Cimento A.S.	Kars (Turkey)	31/12/2006
Kobenhavns Betonfabrik A/S	Roskilde (Denmark)	31/12/2006
SCI Marketing & Services Sdn Bhd. (1)	Perak (Malaysia)	31/12/2006
Sinai White Portland Cement Co. S.A.E.	Cairo (Egypt)	31/12/2006
Skancon A/S (1)	Copenhagen (Denmark)	31/12/2006
Skane Grus AB	Malmö (Sweden)	31/12/2006
Skim Coat Industries Sdn Bhd (1)	Perak (Malaysia)	31/12/2006
Sydsten Helsingborg AB	Helsingborg (Sweden)	31/12/2006
Unicon A/S	Roskilde (Denmark)	31/12/2006
Unicon AS	Sandvika (Norway)	31/12/2006
Vianini Pipe Inc.	Somerville (USA)	31/12/2006
Yapitek A.S.	Izmir (Turkey)	31/12/2006

List of associated companies valued under the net equity method:

Company	Registered Offices	Year end
Aalborg Siam White Cement Pte Ltd (1)	Singapore (Singapore)	31/12/2006
EKOL Unicon Spzoo	Gdansk (Poland)	31/12/2006
Leigh White Cement Company joint venture	Allentown (USA)	31/12/2006
Secil Unicon SGPS Lda	Lisbon (Portugal)	31/12/2006
Sola Betong AS	Risavika (Norway)	31/12/2006
Speedybeton S.p.A.	Pomezia - RM (Italy)	31/12/2006
Storsand Sandtak AS	Saetre (Norway)	31/12/2006

(1) Company in liquidation

Annex 2

List of equity investments as at December 31st, 2006 as per Art. 120 of Legs. Decree 24.02.1998 n.58 (disclosure as per article 126 of CONSOB Resolution 11971 of May 14th, 1999)

Company	Registered Offices	Share Capital	Curr.	Type of possession % Direct	Type of possession % Indirect	% held	% held by Group companies
Cementir S.p.A.	Rome (I)	159,120,000	EURO				Parent company
Aalborg Cement Company Inc.	Dover (USA)	1,000	USD		100	100	Aalbrog Portland US Inc.
Aalborg Portland A/S	Aalborg (DK)	300,000,000	DKK		75	75	Cementir Espana SL
					25	25	Globocem SL
Aalborg Portland Island HF	Kopavogur (IS)	303,000,000	ISK		100	100	Aalborg Portland A/S
Aalborg Portland Polska Spzoo	Warsaw (PL)	100,000	PLN		100	100	Aalborg Portland A/S
Aalborg Portland US Inc	Dover (USA)	1,000	USD		100	100	Aalborg Portland A/S
Aalborg Portland White A/S	Aalborg (DK)	50,000,000	DKK		100	100	Aalborg Portland A/S
Aalborg Portland White China A/S	Aalborg (DK)	9,500,000	DKK		70	70	Aalborg Portland White A/S
Aalborg Resources Sdn Bhd	Perak (MAL)	2,543,972	MYR		100	100	Aalborg White Asia Sdn Bhd
Aalborg Siam White Cement Pte Ltd (1)	Singapore (SGP)	500,000	USD		50	50	Aalborg White Asia Sdn Bhd
Aalborg White Anqing Co Ltd	Anqing (VR)	49,617,097	CNY		100	100	Aalborg Portland White China A/S
Aalborg White Asia Sdn Bhd	Perak (MAL)	95,400,000	MYR		70	70	Aalborg Portland White A/S
Aalborg White Cement Pty Ltd	Sydney (AUS)	1,000	AUD		100	100	Aalborg White Asia Sdn Bhd
Aalborg White Italia S.r.l.	Rome (I)	10,000	EURO		82	82	Aalborg Portland White A/S
Aalborg White OOO	St. Petersburg (RUS)	21,000,000	RUB		100	100	Aalborg Portland White A/S
Aalborg White Philippines Inc. (1)	Manila (RP)	10,000,000	PHP		100	100	Aalborg White Asia Sdn Bhd
AB Sydsten	Malmö (S)	15,000,000	SEK		50	50	Kobenhavns Betonfabrik A/S
AGAB Syd AB	Malmö (S)	120,000	SEK		50	50	AB Sysden
Alfacem S.r.l.	Rome (I)	1,010,000	EURO		99.01	99.01	Cimentas A.S.
				0.99		0.99	Cementir S.p.A.
Bakircay A.S.	Izmir (TR)	420,000	TRY		97.86	97.86	Kars Cimento A.S.
					2.14	2.14	Yapitek A.S.
Calcestruzzi Picciolini S.p.A.	Rome (I)	104,000	EURO	99.88		99.88	Cementir S.p.A.
Calcestruzzi Inerti Srl	Civita Castellana (I)	10,000	EURO		50	50	Calcestruzzi Piccolini SpA
Cem 2004 S.r.l.	Rome (I)	10,000	EURO	99.99		99.99	Cementir S.p.A.
					0.01	0.01	Cementir Delta S.p.A.
Cemencal SpA	Bergamo (I)	12,660,000	EURO	15		15	Cementir S.p.A.
Cementir Delta S.p.A.	Rome (I)	38,218,040	EURO	99.99		99.99	Cementir S.p.A.
Cementir Espana S.L.	Madrid (E)	3,007	EURO		100	100	Cementir Delta S.p.A.
CemMiljo A/S	Aalborg (DK)	1,090,950	DKK		100	100	Aalborg Portland A/S
Cimbeton A.S.	Izmir (TR)	1,770,000	TRY		84.68	84.68	Cimentas A.S.
					0.06	0.06	Yapitek A.S.
Cimentas A.S.	Izmir (TR)	36,540,000	TRY		67.23	67.23	Intercem Sa
				29		29	Cementir S.p.A.
					0.12	0.12	Cimbeton A.S.

(1) Company in liquidation

Annex 2 *(continued)*

Company	Registered Offices	Share Capital	Curr.	Type of possession % Direct	Type of possession % Indirect	% held by % Direct	% held by Indirect
Destek A.S.	Izmir (TR)	50,000	TRY		99.93	99.93	Cimentas A.S.
					0.02	0.02	Cimbeton A.S.
					0.02	0.02	Yapitek A.S.
					0.02	0.02	Bakircay A.S.
					0.01	0.01	Cimentas Foundation
Ekblads Betong AB	Jönköping (S)	500,000	SEK		75	75	AB Sysden
EKOL Unicon Spzoo	Gdansk (PL)	1,000,000	PLN		49	49	Unicon A/S
Elazig Cimento A.S.	Elazig (TR)	46,000,000	TRY		93.55	93.55	Kars Cimento A.S.
					6.17	6.17	Cimentas A.S.
					0.27	0.27	Bakircay A.S.
Everts Betongpumpning AB	Halmstad (S)	100,000	SEK		51	51	AB Sysden
Forserumsten HB	Växjö (S)	1,800,000	SEK		50	50	AB Sysden
4K Beton A/S	Copenhagen (DK)	100,000,000	DKK		100	100	Unicon A/S
Gaetano Cacciatore Inc.	Somerville N.J.(USA)	4,000,000	USD		100	100	Aalborg Cement Company Inc
Globocem S.L.	Madrid (E)	3,007	EURO		100	100	Alfacem S.r.l.
Intercem S.A.	Luxembourg (L)	100,000	EURO	99		99	Cementir S.p.A.
					1	1	Calcestruzzi Picciolini SpA
JEPA Grus og Container	Malmö (S)	100,000	SEK		100	100	Skane Grus AB
Kars Cimento A.S.	Kars (TR)	3,000,000	TRY		58.38	58.38	Cimentas A.S.
					39.81	39.81	Alfacem S.r.l.
Kobenhavns Betonfabrik A/S	Roskilde (DK)	2,000,000	DKK		100	100	Unicon A/S
Leigh White Cement Company Joint venture	Allentown (USA)	-	USD		24.5	24.5	Aalborg Cement Company Inc
SCI Marketing & Services Sdn Bhd. (1)	Perak (MAL)	40,002	MYR		100	100	Aalborg White Asia Sdn Bhd
Secil Unicon SGPS Lda	Lisbon (P)	4,987,980	EURO		50	50	Unicon A/S
Secil Prebetão SA	Montijo(P)	2,750,000	EURO		85	85	Secil Unicon SGPS Lda
Sinai White Portland Cement Co. S.A.E.	Cairo (ET)	350,000,000	EGP		57.14	57.14	Aalborg Portland White A/S
Skancon A/S (1)	Copenhagen (DK)	7,500,000	DKK		100	100	Unicon A/S
Skane Grus AB	Malmö (S)	1,000,000	SEK		60	60	AB Sysden
Skim Coat Industries Sdn Bhd (1)	Perak (MAL)	480,002	MYR		100	100	Aalborg White Asia Sdn Bhd
Sola Betong AS	Risavika (N)	9,000,000	NOK		33.3	33.3	Unicon AS
Speedybeton S.p.A.	Pomezia - RM (I)	300,000	EURO	30		30	Cementir S.p.A.
Storsand Sandtak AS	Saetre (N)	105,000	NOK		50	50	Unicon A/S
Sydsten Helsingborg AB	Helsingborg (S)	100,000	SEK		75	75	AB Sysden
Unicon A/S	Roskilde (DK)	150,000,000	DKK		100	100	Aalborg Portland A/S
Unicon AS	Sandvika (N)	13,289,100	NOK		100	100	Unicon A/S
Vianini Pipe Inc.	Somerville N.J.(USA)	4,483,396	USD		99.99	99.99	Unicon AS
Yapitek A.S.	Izmir (TR)	50,000	TRY		98.75	98.75	Cimentas A.S.
					1.25	1.25	Cimbeton A.S.

(1) Company in liquidation

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE No. 58 DATED 24 FEBRUARY 1998

CEMENTIR - CEMENTERIE DEL TIRRENO SPA

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2006

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE No. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Cementir - Cementerie del Tirreno SpA

1 We have audited the consolidated financial statements of Cementir - Cementerie del Tirreno SpA and its subsidiaries ("Cementir Group"), which comprise the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes as of 31 December 2006. 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. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the prior year corresponding figures for which reference is made to our report dated 4 April 2006.

3 In our opinion, the consolidated financial statements of Cementir - Cementerie del Tirreno SpA as of 31 December 2006 comply with IFRS as adopted by the European Union, as well as the provisions enacted to implement Article 9 of Law Decree no. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of the Cementir Group for the year then ended.

Rome, 2 April 2007

PricewaterhouseCoopers SpA

Signed by

Massimo Grifantini
(Partner)

"This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation"

Directors' report on operations

Introduction

In accordance with Consob Regulation No. 11971/1999, as amended by resolution No. 14990 of 2005, the present financial statements for the year 2006 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-stated using the same accounting standards (IFRS) and classified in accordance with the criteria adopted at December 31st, 2006.

The Company

Cementir - Cementerie del Tirreno SpA is the parent company of an international group operating in the ready-mix and white cement sectors with plant in the Mediterranean basin, North Europe, the Middle East, Asia and the United States of America.

The Group is the world leader in the production of white cement and has an international geographic diversification. In 2004, Cementir acquired the Danish companies Aalborg Portland AS (white and grey cement) and Unicon AS (ready mixed concrete) and in 2005 acquired the Edirne cement plant (Turkey) and 4K Beton, the second largest ready-mix producer in Denmark. In 2006, with the acquisition of the Turkish cement company Elazig Cimento, the Company continued its international expansion, which began in 2001 with the acquisition of Cimentas AS in Turkey.

Cementir is the leading ready mixed concrete producer in Scandinavia, the leading cement producer in Denmark, the fourth producer in Italy, and the third in Turkey.

After the acquisitions outlined above, the Company has increased its international competitiveness and diversified its product portfolio: now producing white cement, grey cement and ready mixed concrete.

Significant events in the year

Among the most significant events in the year was the start-up of the investments for the reactivation of the second furnace at Arquata Scrivia, in order to increase the Company's production capacity.

In 2006, the share capital increase of Cimentas A.S. was completed, which increased its direct holding to 29.38%. In relation to this operation a loan was signed with MCC SpA and Banca Intesa SpA with expiry in 2014, which benefited from a subsidised interest contribution from Simest SpA, in accordance with Law 100 of 1990 (investments by Italian companies in developing countries).

In November 2006, a tax audit was completed by the fiscal authorities for the tax year 2004 relating to direct income taxes and VAT. Among the matters arising, the most significant are related to the deductibility in just one year, and not over several years, of the recapitalisation of the losses in the subsidiary Intercem SA and the non-deductibility of the antitrust penalties by the European Commission.

The report by the fiscal authorities was analysed by independent tax specialists, who expressed a view in favour of an appeal should an assessment arise from this report. However, the financial statement include same prudential accounting adjustment, as further described in the notes to the financial statements.

Human resources

The number of employees increased during the year from 565 at December 31st, 2005, to 570 at December 31st, 2006.

The breakdown is shown in the table below:

	2006	2005	Change
Executives	21	18	3
Employees and middle managent	234	219	15
Workers	315	328	(13)
Total	**570**	**565**	**5**

Relationship with clients

Cementir, always responsive to the needs of its clients, places great emphasis on research and to the constant up-dating of its products – popular both in Italy and internationally. Cementir has supplied its products for the construction of ports and civil engineering works, dams, nuclear plants, purification plants, roads, bridges, tunnels, airports and railways, electricity stations and industrial plant.

Financial results

The year 2006 ended with **net revenues** of Euro 236.7 million (+18.6% on 2005, equal to Euro 199.5 million) and an **Ebitda** of Euro 59.7 million (+61.1% on 2005, equal to Euro 37.1 million).

The **profit before taxes** increased from Euro 26.4 million to Euro 42.9 million (+62.5%).

The year just ended saw a recovery in the market with a reversal of the trend experienced in 2005, in spite of higher energy and transport costs.

Balance sheet

Shareholders' equity at December 31st, 2006 amounted to Euro 628.9 million compared to Euro 621.2 million at December 31st, 2005.

The **non-current assets** at December 31st, 2006 amounted to Euro 492.4 million compared to Euro 453.8 million at December 31st, 2005. The **current assets** at December 31st, 2006 amounted to Euro 408.7 million compared to Euro 455.9 million at December 31st, 2005.

Investments

The capital investments of Cementir in the year amounted to Euro 25.9 million and concerned all of the Company's production facilities and in particular the reactivation of the second furnace at the Arquata Scrivia plant for Euro 14.4 million. The other investments related to the rationalisation, modernisation and maintenance of the production plant, in addition to the updating of the ecological plant.

Research and development activities

The Company's Research Centre activities are directed at the research and study 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.

Transactions with related parties

In relation to the related parties disclosure requirements as defined by CONSOB recommendation No. 2064231 of 30/09/2002, there were no atypical and/or unusual transactions. All transactions, either of a financial or commercial nature, are regulated at normal market conditions.

For an analysis of the transactions and balances with all related parties, reference should be made to Annex No. 2.

Performances of the principal Group companies

Aalborg Portland group (Denmark)

The Aalborg Portland group recorded net sales in 2006 of Euro 275.5 million (+11.8% compared to 2005) and an Ebitda of Euro 84.6 million (+15.6% compared to 2005).

Unicon group (Denmark)

The Unicon group recorded net sales of Euro 326 million (+23.4% compared to 2005) and an Ebitda of Euro 38.8 million (+16.8% compared to 2005).

Cimentas group (Turkey)

The Cimentas group ended the year with net sales of Euro 215.2 million (+45.5% compared to 2005) and an Ebitda of Euro 64.2 million (+57.8% compared to 2005).

Other minor operating companies

The subsidiary **Calcestruzzi Picciolini SpA** ended the year October 31st, 2006 with a loss of Euro 26 thousand (Euro 145 thousand at October 31st, 2005). At December 31st, 2006, the number of employees was 11, of which 5 were white-collar and 6 blue-collar workers.

The associated company **Speedybeton SpA** (Cementir SpA holds 30%) continued its activity in the Lazio area and recorded a loss of Euro 46 thousand for the year ended December 31st, 2006 (profit of Euro 879 thousand in 2005).

Treasury shares

At December 31st, 2006, Cementir does not hold any treasury shares. At December 31st, 2006, Cementir and its subsidiaries did not hold, either directly or indirectly, shares or quotas in holding companies, nor have they purchased or sold shares or quotas during the year.

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

Legislative Decree 231/2001

The Board of Directors, on November 10th, 2005, approved the setting up of a working group in order to comply with the Management and Control Organisational Model in accordance with the provisions of Legislative Decree 231/2001, in order to document the risk areas of offences, the recording of the control system identifying significant risks/offences, and the setting up and implementation of the Control and Organisational Model. This activity is in the completion phase and it is expected that, during 2007, the Model will be approved by the Board of Directors.

Subsequent events and business outlook

The end of the year 2006 illustrated what was already evident in the first part of the year. In spite of higher energy and transport costs, the principal financial indicators, in particular the turnover and Ebitda, recorded results ahead of the 2006 budget.

Expectations are positive for 2007, with the market expected to confirm demand in line with the previous year.

Proposal for the allocation of the year result

Proposal of the Board of Directors to the shareholders' meeting:

- to approve the Directors' Report on operations for the year ended December 31, 2006, the balance sheet, the income statement and the notes thereto for the year ended December 31, 2006;
- to distribute to the Shareholders a total dividend of Euro 15,912,000, equal to Euro 0.1 per ordinary share, utilising the net profit for the year.
- to carry forward the difference between the net profit for the year and the dividends deliberated of Euro 5,378,883.

Financial statements

Balance sheet

(amounts in Euro)	Note	December 31st 2006	December 31st 2005
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1	355,055	323,008
Property, plant and equipment	2	196,651,789	183,181,010
Investment property	3	23,000,000	23,000,000
Equity investments valued at equity method		-	-
Other equity investments	4	254,243,623	210,334,469
Non-current financial assets	5	308,367	309,110
Deferred tax assets	21	17,797,405	36,702,096
Other non-current assets			
TOTAL NON-CURRENT ASSETS		**492,356,239**	**453,849,693**
CURRENT ASSETS			
Inventories	6	30,583,807	28,968,557
Trade receivables:	7	87,022,818	77,321,370
- Trade receivables thirds parties		*81,904,522*	*72,370,193*
- Receivables related parties	An 2	*5,118,296*	*4,951,177*
Equity investments and current securities		-	-
Current financial assets:	8	289,029,538	341,263,367
- Current financial assets thirds parties		*857,791*	*518,390*
- Current financial assets related parties	An 2	*288,171,747*	*340,744,977*
Current tax assets	9	626,351	267,812
Other current assets	10	732,560	423,750
Cash and cash equivalents	11	663,706	7,654,734
TOTAL CURRENT ASSETS		**408,658,780**	**455,899,590**
TOTAL ASSETS		**901,015,019**	**909,749,283**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	159,120,000	159,120,000
Share premium reserve	13	35,710,275	22,710,275
Other reserves	14	412,811,852	416,097,183
Net profit for the year		21,290,883	23,232,899
TOTAL SHAREHOLDERS' EQUITY		**628,933,010**	**621,160,357**
LIABILITIES			
NON-CURRENT LIABILITIES			
Employee benefit provisions	15	7,321,159	7,648,650
Non-current provisions	16	2,266,832	4,250,809
Non-current financial liabilities	18	77,317,842	46,049,142
Deferred tax liabilities	21	16,508,046	17,883,501
Other non-current liabilities		-	-
TOTAL NON-CURRENT LIABILITIES		**103,413,879**	**75,832,102**
CURRENT LIABILITIES			
Current provisions		-	-
Trade payables:	17	71,694,189	59,669,548
- Trade payables thirds parties		*70,375,069*	*59,513,326*
- Trade payables related parties	An 2	*1,319,120*	*156,222*
Current financial liabilities:	18	86,948,411	131,391,453
- Current financial liabilities thirds parties		*86,948,411*	*127,795,165*
- Current financial liabilities related parties		-	*3,596,288*
Liabilities for current taxes	19	2,165,836	14,694,204
Other current liabilities	20	7,859,694	7,001,619
TOTAL CURRENT LIABILITIES		**168,668,130**	**212,756,824**
TOTAL LIABILITIES		**272,082,009**	**288,588,926**

TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		**901,015,019**	**909,749,283**

Income statement

(amounts in Euro)	Note	2006	2005
REVENUES:	**22**	**236,411,973**	**198,816,168**
- Revenues thirds parties		*230,716,544*	*192,783,965*
- Revenues related parties	**An 2**	*5,695,429*	*6,032,203*
Change in inventories	**23**	338,304	746,702
Increases for internal work	**24**	95,571	87,135
Other operating revenues:	**25**	1,700,259	618,496
- Other operating revenues thirds parties		*1,209,331*	*191,484*
- Other operating revenues related parties	**An 2**	*490,928*	*427,012*
TOTAL OPERATING REVENUES		**238,546,107**	**200,268,501**
Raw material costs:	**26**	(101,575,073)	(93,055,183)
- Raw material costs thirds parties		*(100,259,249)*	*(91,933,467)*
- Raw material costs related parties	**An 2**	*(1,315,824)*	*(1,121,716)*
Personnel costs	**27**	(28,253,713)	(25,637,762)
Other operating charges:	**28**	(48,996,457)	(44,501,353)
- Other operating costs thirds parties		*(45,915,590)*	*(44,138,108)*
- Other operating costs related parties	**An 2**	*(3,080,867)*	*(363,245)*
TOTAL OPERATING COSTS		**(178,825,243)**	**(163,194,298)**
EBITDA		**59,720,864**	**37,074,203**
Amortisation, depreciation, write-downs and provisions	**29**	(12,306,419)	(15,897,979)
EBIT		**47,414,445**	**21,176,224**
Net result of equity investments valued at equity method		0	0
Net result of financial costs	**30**	(4,465,149)	5,252,471
- Net result of financial costs thirds parties		*(4,422,353)*	*(260,387)*
- Net result of financial costs related parties	**An 2**	*(42,796)*	*5,512,858*
NET RESULT OF FINANCIAL COSTS AND EQUITY INVESTMENTS VALUED AT EQUITY METHOD		**(4,465,149)**	**5,252,471**
PROFIT BEFORE TAXES		**42,949,296**	**26,428,695**
Income taxes	**31**	(21,658,413)	(3,195,796)
NET PROFIT FOR THE YEAR		**21,290,883**	**23,232,899**

Statement of movement in shareholders' equity

(Euro thousands)	Share Capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for grant	Reserve L.11-3-88 n .67	Reserve for treasury shares	Reserve L.349/95	Reserve FTA	Retained earnings	Profit (loss) of the year	Total Shareholders' equity
Shareholders' equity at January 1st, 2005	**159,120**	**15,052**	**97,733**	**7,859**	**13,207**	**138**	**13,000**	**12**	**72,882**	**-**	**204,297**	**583,300**
Allocation of the 2004 net result		7,658		23,966						161,536	(193,159)	-
Dividends distributed 2004											(11,138)	(11,138)
Inventories at FIFO											1,988	1,988
Property, plant and equipment									26,006		11,896	37,902
Other IFRS effects										(247)	608	361
Grant cash-in								7				7
Result for the year											8,741	8,741
Shareholders' equity at December 31st, 2005	**159,120**	**22,710**	**97,733**	**31,824**	**13,207**	**138**	**13,000**	**19**	**98,888**	**161,289**	**23,233**	**621,161**
Allocation of the 2005 net result: dividends distributed 2005										(4,784)	(8,741)	(13,525)
Changes in share premium reserves		13,000					(13,000)					-
Other IFRS effects										14,492	(14,492)	-
Grant cash-in								6				6
Result for the year											21,291	21,291
Shareholders' equity at December 31st, 2006	**159,120**	**35,710**	**97,733**	**31,824**	**13,207**	**138**	**-**	**25**	**98,888**	**170,997**	**21,291**	**628,933**

Cash flow statement

(Euro thousands)	December 31st 2006	December 31st 2006
Net profit for the year	**21,291**	**23,233**
Amortisation and depreciation	12,281	13,499
(Revaluations) and write-downs	25	384
Net financial result	4,465	(5,252)
- Third parties	*(4,422)*	*(260)*
- Related parties	*(43)*	*5,512*
(Gains) losses on disposals	(287)	79
Income taxes	21,658	3,196
Change in employment benefit provisions	(327)	94
Change in current and non-current provisions	(2,000)	2,014
Operating cash flow before working capital changes	**57,106**	**37,247**
(Increase)/Decrease in inventories	(1,615)	(905)
(Increase)/Decrease in trade receivables - third parties	(9,543)	(3,823)
(Increase)/Decrease in trade receivables - related parties	(167)	(2,213)
Increase/(Decrease) in trade payables - third parties	10,862	932
Increase/(Decrease) in trade payables - related parties	1,163	(1,779)
Change in other current and non-current liabilities	549	(290)
Change in deferred and current income taxes	(1,000)	(25,554)
Operating cash flow	**57,355**	**3,615**
Dividends received	158	5,543
Interest received	1,516	3,866
Interest paid	(6,920)	(4,298)
Income tax paid	(16,016)	-
Cash flow from operating activities (A)	**36,093**	**8,726**
Investments in intangible assets	(172)	(254)
Investments in tangible assets	(25,954)	(10,667)
Investments in equity investments	(43,909)	-
Sale of intangible assets	-	-
Sale of tangible assets	609	-
Sale of equity investments and non-current securities	-	-
Other investment activity changes	19	-
Cash flow from investing activities (B)	**(69,407)**	**(10,921)**
Change in non-current financial assets and liabilities	31,269	(4,536)
Change in current financial assets and liabilities - third parties	(41,411)	40,788
Change in current financial assets and liabilities - related parties	49,977	(42,823)
Dividends distributed	(13,519)	(11,138)
Other net equity changes	7	25,767
Cash flow from financing activities (C)	**26,323**	**8,059**
Net changes in cash and cash equivalents (A+B+C)	**(6,991)**	**5,864**
Cash and cash equivalents at the beginning of the year	**7,655**	**1,791**
Cash and cash equivalents at the end of the year	**664**	**7,655**

Notes to the financial statements

General information

Cementir SpA is a limited liability company with its registered office in Italy - Corso di Francia No. 200, Rome.

The shareholders with holdings above 2% of the share capital, as per the shareholder registry as at December 31st, 2006 and the communications received in accordance with article 120 of Legislative Decree No. 58 of February 24th, 1998, are:

1) Calt 2004 Srl 47,860,813 shares (30.078%)
2) Lav 2004 Srl 40,543,880 shares (25.480%)
3) Caltagirone Francesco Jr. 4,889,244 shares (3.073%)
4) Pantheon 200 SpA 4,466,928 shares (2.807%)

The financial statement at December 31st, 2006, with the document "*Transition to international accounting standards (IAS/IFRS) of Cementir S.p.A*", of Cementir SpA were approved by the Board of Directors on March 14, 2007 with authorised the publication of the principal results.

Accounting regulations

Following the enactment of European Regulation No. 1606 of July 2002 and in relation to Legislative Decree No. 38/2005 and the Issuers' Regulation No. 11971/1999, as amended by Consob Resolution No. 14990 of April 14th, 2005, from 2006 companies issuing financial instruments on regulated markets must draw up the parent company's financial statements in compliance with international financial reporting standards. Therefore, Cementir S.p.A., from January 1st, 2006, has adopted international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC) approved by the European Commission, hereafter "IFRS", with the transition date to IFRS of January 1st, 2005.

The last financial statements of Cementir S.p.A. prepared in compliance with Italian GAAP relate to the year 2005.

The preparation of the financial statements at December 31st, 2006 in accordance with IFRS resulted in a change in the accounting principles compared to the last financial statements prepared in accordance with Italian GAAP.

As per IFRS 1 (first-time adoption of IFRS), the document "*Transition to international accounting standards (IAS/IFRS) of Cementir S.p.A*" is attached (Annex No 1.), which contains the reconciliation of the shareholders equity at the beginning and end of the year 2005, and the income statement for the year.

The national legislation implementing the IV directive of the EU is applied, where compatible, to companies which prepare financial statements in accordance with IFRS. Therefore, the financial statements are prepared in accordance with the provisions of the civil code and the

corresponding provisions of the Finance Act for listed companies in relation to the Directors' Report (article 2428 of the civil code), Accounting control (article 2409-bis of the civil code) and Publication of the Financial Statements (article 2435 of the civil code).
The financial statements and the related notes also include the details and additional disclosures required by articles 2424, 2425 and 2427 of the civil code as they are not in conflict with the requirements of the IFRS.

Compliance with the International Accounting Standards IFRS/IAS

The financial statements of Cementir S.p.A. have been drawn up in compliance with International Accounting Standards (IFRS) and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously called the Standing Interpretations Committee ("SIC"), approved by the European Community at December 31st, 2006.

Basis of presentation

The financial statements as at December 31st, 2006 are presented in Euro and all the amounts are shown in Euro. The financial statements consist of the balance sheet, the income statement, the statement of changes in shareholders' equity, the cash flow statement and the notes to the financial statements. In relation to the presentation of the financial statements, the Company has chosen the following options:

- current and non-current assets and current and non-current liabilities are presented as separate classifications in the balance sheet;
- the income statement items are classified by the nature of the expense;
- the statement of changes in shareholders' equity is based on the changes in the individual accounts;
- the cash flow statement is presented using the indirect method.

The comparative values at December 31st, 2005 were restated applying the principles and criteria of IFRS, and further illustrated in Annex No. 1.

Accounting principles

Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, identifiable, under control and capable of generating future economic benefits. They are recognised at cost, including direct accessory costs necessary in order to render the asset available for use.
On initial recognition, the useful life is determined for each intangible asset. Intangible assets with indefinite useful lives are those activities for which, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period in which the cash flow generated is

limited. The estimate of the useful lives 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 no expected future benefits is expected from its use, and any loss or gain (calculated as the difference between the sale price and the carrying amount) is recognised in the income statement in the year of the above-mentioned elimination.

Intangible assets with finite useful lives are recognised net of the relative accumulated amortisation and any impairment in accordance with the procedures described below. Amortisation begins when the asset is available for use and is recognised on a systematic basis in relation to the residual possibility of use and thus over the useful life of the asset.

Property, plant and equipment

Tangible assets are recognised 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 expenses 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 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 in accordance with the component approach.

Tangible assets are recognised net of accumulated depreciation and any impairment. 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.

The estimated useful lives of property, plant and equipment are as follows:

	Useful life tangible assets
Quarries	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, the tangible asset is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the net book value) is recognised 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.

Investments in subsidiaries and associates

All the companies in which Cementir S.p.A. has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.

The associated companies are the companies in which Cementir S.p.A. exercises a considerable influence but does not exercise control or joint control of the financial and operating policies.

The above-mentioned equity investments are recognised at cost adjusted for any loss in value.

Impairment

At each period end, the book value of intangible and tangible assets is reviewed for 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 amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable amount. 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 amount of the intangible and tangible assets is the higher value between the current value, net of the selling costs and their value of use.

In defining the value in 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 cash-generation unit to which the assets belongs. The impairments are recognised in the income statement under the account amortisation, depreciation and write down costs.

Inventories

Raw materials, semi-finished and finished products are measured 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 other companies are measured at fair value with the recognising of any gain or 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 recognised in the income statement. Write-downs are not restated in subsequent periods.

Trade receivables

Trade receivables, which mature within the normal commercial terms, are not discounted and are recognised 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 cash flow statement, cash and cash equivalents are stated net of bank overdrafts at the balance sheet date.

Financial liabilities and trade payables

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

Derivative financial instruments

The Company 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 recognised at fair value. The operations which satisfy the requirements for hedge accounting are classified as hedging operations. Therefore, the changes in the fair value relating to derivative instruments are recognised in the income statement.

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.

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 plans (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 recognised on an accruals basis over the maturity period of the right. The valuation of the liability is made by independent actuaries.

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 recognised in the income statement under personnel costs.

The principal actuarial assumptions applied in the calculation of the employee leaving indemnity are indicated below:

	31.12.2006	**31.12.2005**
Discount rate	3.84%	3.28%
Future salary increases	2.10%	1.88%
Annual increase in employee leaving indemnity	2.84%	2.96%

Provision

Provisions are recognised 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 recognised 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 recognised as a financial expense. If the liability relates to a tangible asset (example reclamation of sites), the counterparty of the provision is recognised under the asset to which it refers; the recognising of the charge to the income statement is made through the process of depreciation of the tangible asset to which the charge refers to.

Grants

The grants, from public entities and private third parties, are recognised 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 recognised 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 recognised under tangible assets are recognised either as a direct reduction of 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 recognised to the income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised in accordance with the probability that the Company will receive economic benefits and the amount can be determined reliably. Revenues are recognised net of returns, discounts and allowances.

In particular, the revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.

Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Financial income and expense

Financial income and expenses are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities and using the effective interest rate.

Dividends

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

Income taxes

Current income taxes for the period are determined based on an estimate of the taxable income and in accordance with current legislation.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values recognised in the financial statements and the corresponding values recognised for fiscal purposes, applying current fiscal rates at the balance sheet date.

The recognition of deferred tax assets is made when their recovery is probable, that is when it is expected that future taxable income sufficient to recover the asset will be available.

The recovery of the deferred tax asset is reviewed at each balance sheet date.

Foreign currency transactions

All transactions in currencies other than the Euro are recognised 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 recognised 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.

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 recognised at fair value are translated using the exchange rate at the transaction date.

Risks assessments

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

Credit risk

The operating procedures permit a control of the risk connected to the receivable, limiting the sales of products and/or services to clients with 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.

Currency risks

Cementir is exposed to currency risks for financial flows deriving from operating activities and loans in currencies other than the functional currency. The principal exposure derives from the purchase of solid fuel and clinker in UD Dollars. Against these exchange risks Cementir 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 risk

Cementir has bank loans and is therefore exposed to an interest rate fluctuation risk. The repayment date for the majority of the loans is within the next four years and the interest rates are variable, based on the cash generation forecasts of the company. 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, which have a very flat short-term interest rate curve.

New IFRS and IFRIC interpretations

The company did not opt for the advance adoption of the principles, interpretations and updates already approved, which are applicable after the date of the present accounts, in particular:

IFRIC 7 Applying the Restatement Approach under IAS 29	This interpretation will be effective for the annual accounts subsequent to March 1st, 2006. The interpretation is not significant for the Company.
IFRIC 8 Scope of IFRS 2	This interpretation will be effective for the annual accounts subsequent to May 1st, 2006. The interpretation is not significant for the Company.
IFRIC 9 Reassessment of Embedded Derivatives	This interpretation will be effective for the annual accounts subsequent to June 1st, 2006. The interpretation is not significant for the Company.
IFRS 7 Financial Instruments Disclosure	The new standard introduces new disclosure requirements for financial instruments and will be effective from January 1st, 2007.

Explanatory notes to the 2006 financial statements

1) Intangible assets

The intangible assets of Euro 355 thousand (Euro 323 thousand at December 31st, 2005) consist only of intangible assets with definite useful lives, represented by costs incurred for the purchase and implementation of the SAP/R3 information system. The amortisation is determined on the basis of future utility.

(Euro thousands)	Other intangible assets	Assets in progress and advances	Total
Gross value at January 1st, 2005	**1,435**	**-**	**1,435**
Increases	227	27	254
Gross value at December 31st, 2005	**1,662**	**27**	**1,689**
Amortisation at January 1st, 2005	**1,269**	**-**	**1,269**
Amortisation	96	-	96
Amortisation at December 31st , 2005	**1,365**	**-**	**1,365**
Net value at December 31st, 2005	**297**	**27**	**324**
	Other intangible assets	**Assets in progress and advances**	**Total**
Gross value at January 1st, 2006	**1,662**	**27**	**1,689**
Increases	153	-	153
Reclassifications	18	(18)	0
Gross value at December 31st, 2006	**1,833**	**9**	**1,842**
Amortisation at January 1st, 2006	**1,365**	**-**	**1,365**
Amortisation	122	-	122
Amortisation at December 31st, 2006	**1,487**	**-**	**1,487**
Net value at December 31st, 2006	**346**	**9**	**355**

2) Property, plant and equipment

At December 31st, 2006, property, plant and equipment amounted to 196,652 thousand (Euro 183,181 thousand at December 31st, 2005).

The additional disclosures required for each property, plant and equipment are provided below:

(Euro thousands)	Land and buildings	Quarries	Plant and equipment	Commercial and industrial equipment	Other assets	Assets under construction	Total
Gross value at January 1st, 2005	**52,813**	**4,169**	**198,489**	**2,333**	**3,093**	**5,705**	**266,602**
Increases	0	0	0	0	0	10,645	10,645
Decreases	0	0	204	0	2	0	206
Reclassifications	400	192	6,719	89	166	(7,566)	0
Gross value at December 31st, 2005	**53,213**	**4,361**	**205,004**	**2,422**	**3,257**	**8,784**	**277,041**
Depreciation at January 1st, 2005	**23,470**	**2,799**	**51,140**	**1,171**	**1,978**	**0**	**80,558**
Depreciation	2,227	61	10,789	102	166	0	13,345
Decreases	0	0	41	0	2	0	43
Depreciation at Dec. 31st, 2005	**25,697**	**2,860**	**61,888**	**1,273**	**2,142**	**0**	**93,860**
Net value at Dec. 31st, 2005	**27,516**	**1,501**	**143,116**	**1,149**	**1,115**	**8,784**	**183,181**
Gross value at January 1st, 2006	**53,213**	**4,361**	**205,004**	**2,422**	**3,257**	**8,784**	**277,041**
Increases	0	0	0	0	0	25,954	25,954
Decreases	28	1	899	13	9	0	950
Reclassifications	1,174	4,686	4,919	69	295	(11,143)	0
Gross value at Dec. 31st, 2006	**62,047**	**9,046**	**209,024**	**2,478**	**3,543**	**23,595**	**302,045**
Depreciation at January 1st, 2006	**25,697**	**2,860**	**61,888**	**1,273**	**2,142**	**0**	**93,860**
Depreciation	1,253	44	10,567	106	190	0	12,160
Decreases	29	1	577	14	7	0	627
Depreciation at Dec. 31st, 2006	**29,922**	**2,903**	**71,878**	**1,365**	**2,325**	**0**	**105,393**
Net value at Dec. 31st, 2006	**27,437**	**6,143**	**137,146**	**1,113**	**1,218**	**23,595**	**196,652**

The useful life adopted by the company is shown in the paragraph relating to the accounting principles and to which reference should be made.

The investments in the year, equal to Euro 25.9 million, related to all of the Company's production plant (in particular the reactivation of the second furnace at the Arquata Scrivia plant of Euro 14.4 million), which concerned the rationalisation and modernisation of the factories and in particular the updating of the ecological plant.

3) Investment property

The account investment property amounting to Euro 23 million represents the fair value measurement of the building located at Torrespaccata (Rome) and has not changed compared to the previous year. The buildings are fully pledged against medium and long-term loans, the residual amount of which are approximately Euro 15.6 million at December 31st, 2006.

(Euro thousands)	31.12.2005 Italian GAAP	Reclassifications	Fair Value	31.12.2005 IAS / IFRS GAAP
Intangibile assets	2,216	(1,893)	-	323
Property, plant and equipment	159,432	1,893	21,856	183,181
Investment property	14,858	-	8,142	23,000
Total	**176,506**	-	**29,998**	**206,504**

4) Other investments

Other investments amount to Euro 254,244 thousand (Euro 210,334 thousand at December 31st, 2005), composed of:

(Euro thousands)	Registered offices	% held	Book value at December 31st,2006	% held	Book value at December 31st,2005
Subsidiaries					
Calcestruzzi Piccolini SpA	Rome	99.88%	103	99.88%	103
Cimentas AS	Izmir (Turkey)	29.38%	90,367	19.00%	46,458
Intercem S.A.	Luxembourg	99.00%	120,354	99.00%	120,354
Alfacem Srl	Rome	0.99%	220	0.99%	220
Cementir Delta SpA	Rome	99.99%	38,217	99.99%	38,217
Cem2004 Srl	Rome	99.99%	10	99.99%	10
Total subsidiaries companies			**249,271**		**205,362**
Associated company					
Speedybeton SpA	Rome	30.00%	2,479	30.00%	2,479
Total associated companies			**2,479**		**2,479**
Total investments			**251,750**		**207,841**

The increase of Euro 43,909 thousand relates exclusively to the subscription of the share capital increase made in Cimentas A.S., which increased the shareholding from 19% to 29.38% of the share capital.

All the other investments relate to unlisted companies with the exception of Cimentas A.S., listed on the Istanbul Stock Exchange.

The table below summaries the data of the associated companies:

Associated company				
(Euro thousands)	**Assets**	**Shareholders' equity**	**Revenues**	**Net profit (loss) for the year**
Speedybeton SpA	14.734	7.106	21.890	879

The **other investments** for a total of Euro 2,493 thousand (Euro 2,493 thousand at December 31st, 2005) relate to the following other companies:

- Cemencal SpA for an amount of Euro 2.4 million;
- S.I.P.A.C. SpA (in liquidation) for an amount of Euro 78 thousand;
- Consorzio Toscocem (in liquidation) for an amount of Euro 15 thousand.

5) Non-current financial assets

The account, equal to Euro 308 thousand (Euro 309 thousand at December 31st, 2005), consists of receivables on deposits due within five years of Euro 200 thousand and the margin guarantee for the purchase of Futures on CO^2 emissions quotas of Euro 108 thousand.

6) Inventories

The breakdown of the inventories, valued at FIFO, are as follows:

(Euro thousands)	31.12.2006	31.12.2005	Change
Raw Materials	16,717	15,440	1,277
Semi-finished products	6,573	6,846	(273)
Finished products	7,294	6,682	612
Total Inventories	**30,584**	**28,968**	**1,616**

7) Trade receivables

The breakdown of trade receivables, amounting to Euro 87,023 thousand (Euro 77,321 thousand at December 31st, 2005) is as follows:

(Euro thousands)	31.12.2006	31.12.2005
Trade customers	85,052	75,525
Provisions for doubtful debts	(3,148)	(3,155)
Subsidiary companies	3,444	3,192
Associated companies	143	495
Other Group companies	1,532	1,264
Total trade receivables	**87,023**	**77,321**

The value of the trade receivables approximates their fair value.

Trade receivables, originating from commercial transactions from the sale of goods and services, do not have significant credit risk concentration.

The net change in the doubtful debt provision is due to the difference between the provision for the year of Euro 9 thousand and the utilisation in the year of Euro 16 thousand.

For the analysis of the receivables from subsidiary, associated and other companies of the Group, reference should be made to Annex No. 2 relating to transactions with related parties.

8) Current financial assets

They amount to Euro 289,030 thousand (Euro 341,263 thousand at December 31st, 2005) and relate to financial receivables from subsidiary and associated companies for Euro 288,172 thousand (reference should be made to Annex No. 2) and deferred income on subsidised state interest grants by Simest on the loans provided by various credit institutions for Euro 858 thousand.

9) Current tax assets

The current tax assets of Euro 626 thousand (Euro 268 thousand at December 31st, 2005) consist of VAT receivables of Euro 577 thousand and withholding taxes of Euro 49 thousand.

10) Other current assets

The other current assets, equal to Euro 733 thousand (Euro 423 thousand at December 31st, 2005) relate to various account balances. The breakdown of this account is as follows:

(Euro thousands)	31.12.2006	31.12.2005
Advances to suppliers	104	98
Receivables from employees	87	85
Tax reimbursements due	40	42
Other receivables	374	62
Prepaid expenses on general expenses	128	137
Total other current assets	**733**	**424**

11) Cash and cash equivalents

The account, equal to Euro 664 thousand (Euro 7,655 thousand at December 31st, 2005), consists of the liquidity of the Company composed of:

(Euro thousands)	31.12.2006	31.12.2005
Bank and postal deposits	629	7,637
Cash	35	18
Total cash and cash equivalents	**664**	**7,655**

Shareholders' Equity

12) Share Capital

At December 31st, 2006, the share capital, fully paid-in, amounts to Euro 159,120,000 divided into 159,120,000 shares with a nominal value of Euro 1 each.

13) Share premium reserve

At December 31st, 2006, this account amounted to Euro 35,710 thousand (Euro 22,710 thousand at December 31st, 2005). The increase is due to the reclassification of the *Reserve for the purchase of treasury shares* (Euro 13 million at December 31st, 2005).

14) Other reserves

The Other Reserves amount to Euro 412,812 thousand (Euro 416,097 thousand at December 31st, 2005), and consist of:

(Euro thousands)	**31.12.2006**	**31.12.2005**
Revaluation reserve	97,732	97,732
Legal reserve	31,824	31,824
Reserve for treasury shares	-	13,000
Other reserves	13,371	13,364
Other IAS Reserves	98,888	98,888
Reserve L.266/05	16,228	-
Retained earnings	154,769	161,289
Total Other Reserves	**412,812**	**416,097**

In detail, the other IAS reserves, arising from the First Time Application of the IAS/IFRS, are composed of:

(Euro thousands)	**31.12.2006**	**31.12.2005**
Reserve FTA Revaluation law 266/05	90,635	90,635
Reserve FTA Fair Value	6,991	6,991
Reserve FTA FIFO Inventories	2,396	2,396
Reserve FTA Quarries Restoration and Dismantlement	(1,305)	(1,305)
Reserve FTA Employee Leaving Indemnity Actuarial	47	47
Reserve FTA Maintenance	63	63
Reserve FTA Discounting Financial Payables	61	61
Total Other Reserves	**98,888**	**98,888**

Analysis of the Shareholders' Equity accounts

The shareholders' equity reserves with indication of their nature, possibility of utilisation and distribution are shown below:

(Euro thousands)

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	35,710	A,B,C	35,710		
Revaluation reserve	97,732	A,B,C	97,732	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		
Extraordinary Reserve	0				7,411
Reserve for treasury shares	0				
Reserve Law 349/95	26	A,B	26		
Retained earnings	140,523	A,B,C	140,523		21,012
Retained earnings – not distributable Law 266/05	16,228	A,B,C	16,228		
IFRS retained earnings or losses carried forward	14,246				
Reserve L.266/05	90,635	A,B,C	90,635		
F.T.A. Reserve	8,253				
Total	**448,522**		**426,023**		
Non-distributable quota			**45,195**		
Residual quota distributable			**380,828**		

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

The reserves, which in the event of distribution, form taxable income for the company, amount to Euro 264,851 thousand.

In addition, information is provided of the dividends approved and paid in the years 2006 and 2005:

	2006 (Euro per share)	**2005** (Euro per share)	**31.12.2006** (Euro thousands)	**31.12.2005** (Euro thousands)
Dividend deliberated	0.085	0.070	13,525	11,138

In the annual general meeting of April 20, 2006, a dividend was approved for distribution to the Shareholders of a total dividend of Euro 13,525,200, amounting to a dividend of Euro 0.085 per ordinary share, utilising the net profit for the year 2005 of Euro 8,741,733 and, for the remainder, equal to Euro 4,783,467, utilising retained earnings carried forward.

15) Employee benefit provisions

This account includes the employee leaving indemnity which 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 derives from valuations made, at December 31st, 2006, by independent actuaries. The adjustments applied are summarised in the following table:

	31.12.2006	**31.12.2005**
Discount rate	3.84%	3.28%
Future salary increases	2.10%	1.88%
Annual increase in employee leaving indemnity	2.84%	2.96%

The movements in the year are as follows:

(Euro thousands)	**31.12.2006**	**31.12.2005**
Net liabilities at January 1st	**7,649**	**7,608**
Current cost of services	813	1,019
Financial expenses of the services	255	253
Actuarial Profit/(Loss) recognised in the year	(285)	(771)
(Services paid)	(1,111)	(461)
Net liabilities at December 31st	**7,321**	**7,649**

From January 1st, 2007, the Finance Act and relative decrees enacted introduced important amendments in relation to the employee leaving indemnity, among which the choice given to the employee to determine where the leaving indemnity matured in the period is invested. In particular, the leaving indemnity may be utilised by the employee for their own chosen pension scheme or the employee may choose to leave the leaving indemnity in the company (in this case the company pays the leaving indemnity contributions to an INPS treasury account). At the present moment, the interpretative uncertainty on the above-mentioned recently enacted regulations, the possible different interpretations of the qualification as per IAS 19 of the maturing leaving indemnity and the consequent amendments on the actuarial calculations relating to the leaving indemnity matured, as well as the impossibility to estimate the choices of employees on the allocation of the indemnity maturing (for which each individual employee has until June 30th, 2007 to decide), renders premature any assumption to change the actuarial calculation of the leaving indemnity matured at December 31st, 2006.

16) Non-current provisions

The non-current provisions amounted to Euro 2,267 thousand (Euro 4,251 thousand at December 31st, 2005) and are comprised of:

(Euro thousands)	Quarry restructuring provision	Provision CO2 quota	Agent's leaving indemnity	Total non-current provisions
Value at January 1st , 2005	**0**	**0**	**157**	**157**
Accruals	2,080	2,000	14	4,094
Utilisations	0	0	0	0
Decreases	0	0	0	0
Value at December 31st, 2005	**2,080**	**2,000**	**171**	**4,251**
Value at January 1st 2006	**2,080**	**2,000**	**171**	**4,251**
Accruals	0	0	16	16
Utilisations	0	(650)	0	(650)
Reclassification	0	(1,350)	0	(1,350)
Decreases	0	0	0	0
Value at December 31st, 2006	**2,080**	**0**	**187**	**2,267**

The quarry restructuring provision relates to cleaning and maintenance interventions on the quarries for the excavation of raw materials to be made by the end of the utilisation of the concessions.

Following the definition of its commitments, the Company recorded a payable for the purchase of CO_2 quotas amounting to Euro 1,350 thousand utilising the Provision for CO_2 quotas and releasing the excess part to the income statement.

17) Trade payables

The trade payables, whose value approximates their "*fair value*", amounts to Euro 71,694 thousand (Euro 59,669 thousand in 2005) and are composed of:

(Euro thousands)	**31.12.2006**	**31.12.2005**
Trade payables	70,375	59,513
Payables to related parties	1,319	156
Total trade payables	**71,694**	**59,669**

For the analysis of the payables to subsidiary, associated and holding companies, reference should be made to Annex No. 2 on transactions with related parties.

18) Financial liabilities

(Euro thousands)	**31.12.2006**	**31.12.2005**
Bank payables	14,652	15,282
Other lenders	62,666	30,767
Non-current financial liabilities	**77,318**	**46,049**
Bank payables	77,442	119,204
Short-term portion of non-current loans to other lenders	7,801	7,801
Other financial payables to subsidiaries	0	3,596
Accrued liabilities on financial expenses	1,705	790
Current financial liabilities	**86,948**	**131,391**
Total financial liabilities	**164,266**	**177,440**

Non-current financial liabilities

The bank payables, net of the discounting of Euro 47 thousand, entirely relates to the variable interest rate loan (Euribor/360 6 months +0.75) from Banca Intesa S.p.A. on the building located at Torrespaccata and expiring in 2024.

The payables to other lenders are composed of:

a) a loan at a subsidised interest rate (Euribor/360 6 months +0.70), provided in 2002, for companies which make investments in developing countries, from five different financial institutions with lead bank Medio Credito Centrale S.p.A and expiring in 2010;

b) a loan at a subsidised interest rate (Euribor/360 6 months +0.70), granted in July 2006, for companies which make investments in developing countries, from Medio Credito Centrale S.p.A and Banca Intesa S.p.A. expiring in 2014.

Si fornisce di seguito una tabella riepilogativa, al netto delle attualizzazioni, delle scadenze delle passività finanziarie non correnti:

(Euro thousands)	**Within 5 years**	**after 5 year**	**Total**
Bank borrowings	2.733	11.919	14.652
Other lenders borrowings	38.946	23.720	62.666
Total	**41.679**	**35.639**	**77.318**

Current financial liabilities

Accruals principally relate to interest matured on non-current loans.

Net financial position

Category of financial assets and liabilities	Balance Sheet accounts	31.12.2006		31.12.2005	
		Sub-total	**Total**	**Sub-total**	**Total**
Short-term commitments and loans			**289,694**		**348,918**
Cash and cash equivalents	Cash and cash equivalents	664		7,655	
Current financial receivables	Investments, bonds and current financial receivables	289,030		341,263	
Short-term bank payables			**(87,414)**		**(131,391)**
Bank payables and short term loans	Banks payables short-term loans and accruals	(77,442)		(119,204)	
Current financial payables	Current financial liabilities and accruals	(9,972)		(12,187)	
Medium/long term financial assets			**308**		**309**
Non-current financial receivables	Receivables and other non-current assets	308		309	
Medium/long term financial payables			**(77,318)**		**(46,049)**
Non-current financial liabilities	Non-current financial liabilities	(77,318)		(46,049)	
Derivative instruments	Other payables and non-current liabilities				
Net financial position			**125,270**		**171,787**

Details are provided of short and medium/long-term loans in accordance with the recommendations of CONSOB communication No. 6064293 of July 28th, 2006.

(Euro thousands)	**31.12.2006**
A. Cash	35
B. Other liquidity	629
C. Securities held for trading	0
D. Liquidity (A+B+C)	**664**
E. Current financial receivables	**289,030**
F. Bank borrowings current	77,582
G. Current portion of non-current debt	9,367
H. Other current financial payables	465
I. Current financial liabilities (F+G+H)	**87,414**
J. Net financial liabilities current (I)-(E)-(D)	**(202,280)**
K. Non-current bank payables	77,318
L. Bonds issued	0
M. Other non-current payables	0
N. Financial liabilities non-current (K+L+M)	**77,318**
O. Net financial position (J+N)	**(124,962)**

Other information ("covenants" and "negative pledges")

At December 31st, 2006, the mortgages given in favour of third parties of Euro 15.6 million relate to the mortgage on the building located at Torrespaccata, Rome as guarantee for the loan granted by Banca Intesa S.p.A. The guarantees given to third parties of Euro 94.9 million principally relate to sureties given to MCC S.p.A. for Euro 84.7 million on a loan in favour of the Turkish subsidiary Cimentas A.S. and, for the residual, to guarantees given to suppliers and to local public entities for the use of quarries.

19) Liabilities for current taxes

They amount to Euro 2,166 thousand (Euro 14,694 thousand at December 31st, 2005) and refer to the estimated IRAP regional taxes for the period.

20) Other current liabilities

(Euro thousands)	31.12.2006	31.12.2005
Payables to employees	2,090	1,787
Payables to social security authorities	1,353	1,280
Other payables	3,665	2,768
Deferred income	751	1,167
Total other current liabilities	**7,859**	**7,002**

The deferred income principally relates to the quota of the contributions as per Law 488/92 as at December 31st, 2006 (Euro 724 thousand) against the residual amount to be amortised on the assets and Euro 27 thousand on future rental income.

21) Deferred tax assets and liabilities

(Euro thousands)	31.12.05	Provision net in income statements	Net increase in shareholders' equity	31.12.06
Deferred tax assets				
Fiscal losses carried forward	20,346	(9,980)	0	10,366
Provision for risks and charges	1,155	503	0	1,658
Write down of investments	13,687	(9,852)	0	3,835
Others	1,514	424	0	1,938
Total deferred tax assets	**36,702**	**(18,905)**	**0**	**17,797**
Deferred tax liabilities				
Divestment of tangible fixed assets	2,743	(1,009)	0	1,734
Dry dock provision	92	(92)	0	0
IFRS provision for employee benefits	91	186	0	277
Inventories	2,602	(284)	0	2,318
Depreciation on tangible fixed assets	12,355	(184)	0	12,171
Others	0	8	0	8
Total deferred tax liabilities	**17,883**	**(1,375)**	**0**	**16,508**

Deferred tax assets and liabilities are calculated on the temporary differences between the taxable income and the result from the financial statements.

The balance at December 31st, 2006 of the deferred tax assets (Euro 17,797 thousand) is composed of Euro 17,476 thousand of income taxes and Euro 321 thousand of regional taxes.

The balance at December 31st, 2006 of the deferred tax liabilities (Euro 16,508 thousand) is composed of Euro 14,656 thousand of income taxes and Euro 1,852 thousand of regional taxes.

Finally, in November 2006, a tax audit was completed by the fiscal authorities for the tax year 2004 relating to direct income taxes and VAT. The report by the fiscal authorities was analysed by independent tax specialists and the accounts reflect, as prudent adjustment, a reversal of deferred tax assets for an amount of Euro 4,034 thousand.

22) Revenues

(Euro thousands)	2006	2005	Change
Revenues from products sales	226,928	188,813	38,115
Revenues from services	9,484	9,766	(282)
Total revenues	**236,412**	**198,579**	**37,833**

Revenues from the sale of products abroad amount to 2.73% of total sales and thus confirming the Company's main market as Italy.

Revenues from services relate to reimbursement from clients of transport costs (Euro 6,599 thousand), consulting services to group companies (Euro 1,870 thousand) and export commissions from the Turkish subsidiary Cimentas AS (Euro 1,015 thousand).

For the analysis of the revenues from subsidiary, associated and other companies of the Group, reference should be made to Annex No. 2 on transactions with related parties.

23) Change in inventories

(Euro thousands)	2006	2005	Change
Beginning inventories semi-finished prod.	(3,363)	(4,371)	1,008
Beginning inventories finished products	(5,048)	(6,222)	1,174
Total beginning inventories	**(8,411)**	**(10,593)**	**2,182**
Final inventories semi-finished products	3,090	4,827	(1,737)
Final inventories finished products	5,659	6,512	(853)
Total final inventories	**8,749**	**11,339**	**(2,590)**
Total change in inventories	**338**	**746**	**(408)**

24) Increases for internal works

(Euro thousands)	2006	2005	Change
Increase in internal work capitalised	96	87	9
Total increase of internal work capitalised	**96**	**87**	**9**

The account relates to the capitalisation of tangible fixed assets constructed internally.

25) Other operating revenues

(Euro thousands)	2006	2005	Change
Rent, rental income	540	482	58
Gains	600	2	598
Other income and revenues	560	134	426
Total other operating revenues	**1,700**	**618**	**1,082**

Rental income of Euro 491 thousand (Euro 427 thousand) relates, principally, to the rental contract of the building located at Torrespaccata, Rome with the Group company B2Win S.p.A.
The capital gains arise from a series of fixed assets disposals made during the year.
Other revenues and income are comprised of:

- the release to the income statement of the excess part of the CO2 provision (Euro 650 thousand) ;
- prior year income, amounting to Euro 102 thousand, from the revenue adjustments on the condominium charges related to the rental contract mentioned above;
- prior year income (Euro 12 thousand) for the application of penalties to the suppliers of production plant.

26) Raw material costs

(Euro thousands)	2006	2005	Change
Raw materials and semi-finished	35,722	31,334	4,388
Fuel	17,940	15,188	2,752
Electricity	27,575	22,771	4,804
Finished products	11,427	10,634	793
Other materials	10,189	13,115	(2,926)
Change in inventory of raw mat., consumables etc.	(1,277)	(158)	1,119
Total other operating costs	**101,575**	**92,884**	**8,691**

For the analysis of the costs from subsidiary, associated and other companies of the Group, reference should be made to Annex No. 2 on transactions with related parties.

27) Personnel costs

(Euro thousands)	2006	2005	Change
Salaries and wages	18,975	18,058	917
Social contributions	6,201	6,060	141
Employee leaving indemnity	783	1,088	(305)
Other costs	2,295	432	1,863
Total	**28,254**	**25,638**	**2,616**

The other costs relate to expenses such as additional indemnity, insurance travel and contributions for cultural and recreational activities.

The breakdown of the employees was as follows:

	2006	2005	Change
Executives	21	18	3
Employee and middle managment	234	219	15
Workers	315	328	(13)
Total	**570**	**565**	**5**

The average number of employees in 2006 was:

	2006	2005	Change
Executives	20	16	4
Employee and middle managment	226	217	9
Workers	327	324	3
Total	**573**	**557**	**16**

28) Other operating costs

(Euro thousands)	2006	2005	Change
Transport	18,910	17,674	1,236
Services and maintenance	14,371	13,369	1,001
Consultants fees	1,035	1,147	(112)
Remuneration of Dir. and Stat. Auditors	5,160	3,853	1,307
Insurance premiums	262	269	(7)
Association Dues	499	460	39
Other services	4,749	3,873	876
Rent, rental costs	1,549	1,533	17
Indirect taxes	1,441	1,259	181
Other operating charges	1,020	1,063	(43)
Total other operating costs	**48,996**	**44,500**	**4,496**

The account other services includes commission and agent fees of Euro 491 thousand (Euro 424 thousand in 2005), postal and telephone of Euro 434 thousand (Euro 405 thousand in 2005) and selling expenses of Euro 697 thousand (Euro 956 thousand in 2005).

The other operating costs principally relate to the losses on the divestment of tangible fixed assets of Euro 314 thousand (Euro 154 thousand in 2005), customs duties of Euro 171 thousand (Euro 175 thousand in 2005) and prior year charges.

The total operating costs also includes transactions with related parties, to which reference should be made to Annex No. 2.

29) Amortisation, depreciation, write-downs and provisions

(Euro thousands)	2006	2005	Change
Amortisation of intangible assets	121	118	3
Depreciation of tangible assets	12,160	13,382	(1,222)
Provisions	16	2,014	(1,998)
Write-downs	9	384	(375)
Total amortisation, depreciation, write-downs and provisions	**12,306**	**15,898**	**(3,592)**

30) Financial income and expense

The net financial charges amounted to Euro 4,465 thousand. This is composed of:

(Euro thousands)	2006	2005	Change
dividends from subsidiaries	0	5,304	(5,304)
dividends from associated companies	158	239	(81)
Total income on investments	**158**	**5,543**	**(5,385)**
Interest and financial income	2,233	1,471	762
Interest expense	(6,462)	(3,632)	(2,830)
Other financial expenses	(2,007)	(650)	(1,357)
Total financial income and expenses	**(6,236)**	**(2,811)**	**(3,425)**
Net exchange differences	1,612	2,521	(909)
Net financial result	**(4,466)**	**5,253**	**(9,719)**

The dividends were paid by the associated company Speedybeton S.p.A (in 2005, Euro 5,304 thousand was paid by Cimentas AS and Euro 239 thousand by Speedybeton S.p.A).

The increase in interest expenses due to the increased interest rates during 2006.

In relation to the net exchange differences, they principally relate to the receivables and payables in US Dollar.

The financial result also includes transactions with related parties, to which reference should be made to Annex No. 2.

31) Income taxes

The income taxes for the year, equal to Euro 21,658 thousand, consist of:

(Euro thousands)	2006	2005	Change
current taxes	4,129	3,414	715
deferred tax income	18,904	(1,055)	19,959
deferred tax expense	(1,375)	837	(2,212)
Total	**21,658**	**3,196**	**18,462**

The reconciliation between the theoretical and actual tax charge is shown below:

IRES – current tax	**2006**		**2005**	
(Euro thousands)	Amount	Tax rate	Amount	Tax rate
Profit before taxes	**42,949**	**33%**	**3,666**	**33%**
Theoretical tax charge		14,173		1,210
Temporary differences deductible in future years	1,711		2,747	
Temporary differences from previous years	2,709		3,012	
Permanent differences	3,511		968	
Total increase	**7,931**		**6,727**	
Temporary differences taxable in future years	(1,223)		(400)	
Temporary differences from previous years	(30,614)		(30,529)	
Permanent differences	(164)		(5,268)	
Total decrease	**(32,001)**		**(36,197)**	
Utilisation of fiscal losses	(18,881)		0	
Taxable income	**0**		**(25,804)**	
Assessable tax for the transfer of the tax payable/receivable from fiscal consolidation	903		(179)	
Assessable for substitute tax Revaluation in 2005	0		18,062	
		0.69%		**57.53%**
Effective tax charge		298		2,109

IRAP - current tax	2006		2005	
(Euro thousands)	Amount	Tax/ rate	Amount	Tax/ rate
Difference between value and cost of production	**75,668**	**4.25%**	**(915)**	**4.25%**
Theoretical charge		3,216		
Income not taxable for IRAP	2,439		9,420	
Cost non deductible for IRAP	7,517		0	
Amount before net tax changes	**85,624**		**34,734**	
Net tax changes	(2,403)		(1,454)	
Net taxable income	**83,221**	**5.05%**	**33,280**	**5.16%**
Effective tax charge		3,831		1,305

Annex 1

Transition to International Accounting Standards (IAS/IFRS) of Cementir SpA

Introduction

Following the enactment of European Regulation No. 1606 of July 2002 and in relation to Legislative Decree No. 38/2005 and the Issuers' Regulation No. 11971/1999, as amended by Consob Resolution No. 14990 of April 14th, 2005, from 2006 companies issuing financial instruments on regulated markets must draw up the parent company's financial statements in compliance with international financial reporting standards. Therefore, Cementir S.p.A., from January 1st, 2006, has adopted international accounting standards (International Accounting Standards - IAS or International Financial Reporting Standards - IFRS), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretation Committee (SIC) approved by the European Commission, hereafter "IFRS", with the transition date to IFRS of January 1st, 2005.

As required by IFRS No. 1, paragraphs 39 and 40, the present document contains the reconciliation of the shareholders' equity at January 1st, 2005 and at December 31st, 2005 and of the result for the year ended December 31st, 2005, between the values determined in accordance with Italian GAAP and IFRS, together with the relative explanatory notes on the adjustments.

Adoption of IFRS 1

For the adoption of international accounting standards, the company has applied the provisions contained in IFRS 1 - First-time adoption of International Financial Reporting Standards. This standard provides that, where the Parent Company adopts the international accounting standards first in the consolidated financial statements and subsequently in the individual financial statements, the assets and liabilities must be recognised for the same amount in both financial statements, except for consolidation adjustments.

Therefore, the reconciliation statements attached reflect the same accounting standards and the same options contained in IFRS 1 adopted in the preparation of the consolidated financial statements of the Cementir Group relating to the year 2005, with the exception of the standard relating to the valuation of the investments in subsidiaries and associated companies.

Accounting policies and valuation criteria

Basis of presentation

The functional and presentation currency of Cementir S.p.A. is the Euro.

Translation criteria of foreign currencies

All transactions in currencies other than the Euro are recognised 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 recognised 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.

Intangible assets with finite useful lives

Intangible assets are recognised at cost, including direct accessory costs necessary in order to render the asset available for use.

Intangible assets with finite useful lives are recognised net of the relative accumulated amortisation and any impairment 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 the difference between the disposal value and the book value) is recognised in the income statement in the year of the above mentioned elimination.

Property, plant and equipment

Property, plant and equipment are recognised 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. If major components of such tangible assets have different useful lives, such components are accounted for separately. Land, both constructible and relating to civil and industrial buildings, is not depreciated in that it has an unlimited useful life.

Property, plant and equipment are recognised net of the relative accumulated depreciation and any impairment 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.

At the moment of the sale or when no expected future economic benefits exist from the use, the tangible asset is eliminated from the financial statements and any loss or gain (calculated as the difference between the sales value and the book value) is recognised 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.

Investments in subsidiaries and associates

All the companies in which Cemntir S.p.A. has the power to determine, directly or indirectly, the financial and operating policies of the entity, so as to obtain benefits from its activities are considered as subsidiary companies.

The associated companies are the companies in which Cementir S.p.A. exercises a considerable influence but does not exercise control or joint control of the financial and operating policies.

The above-mentioned equity investments are recognised at cost adjusted for any loss in value.

Impairment

At each period end, the book value of intangible and tangible assets is reviewed for 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 amount must be determined and, in the case in which the book value exceeds the recoverable amount, these assets are written down to reflect their recoverable amount. 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 amount of the tangible and intangible assets is the higher value between the current value, net of the selling costs and their value of use.

In defining the value in 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 cash-generation unit to which the assets belongs. The impairments are recognised in the income statement under the account amortisation, depreciation and write down costs.

Inventories

Raw materials, semi-finished and finished products are measured 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 other companies are measured at fair value with the recognising of any gain or 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 recognised in the income statement. Write-downs are not restated in subsequent periods.

Trade receivables

Trade receivables, which mature within the normal commercial terms, are not discounted and are recognised 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 cash flow statement, cash and cash equivalents are stated net of bank overdrafts at the balance sheet date.

Financial liabilities and trade payables

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

Shareholders' equity

Treasury shares

Treasury shares are recognised as a reduction of shareholders' equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognised 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 plans (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 recognised on an accruals basis over the maturity period of the right. The valuation of the liability is made by independent actuaries.

Provision for risks and expenses

Provisions for risks and expenses are recognised 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 recognised 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 recognised as a financial expense. If the liability relates to a tangible asset (example reclamation of sites), the counterparty of the provision is recognised under the asset to which it refers; the recognising of the charge to the income statement is made through the process of depreciation of the tangible asset to which the charge refers to.

Grants

The grants, from public entities and private third parties, are recognised 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 recognised 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 recognised under tangible assets are recognised either as a direct reduction of tangible 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 recognised to the income statement at the moment in which they satisfy the conditions for their recognition.

Revenues

Revenues are recognised in accordance with the probability that the company will receive economic benefits and the amount can be determined reliably. Revenues are recognised net of returns, discounts and allowances.

In particular, the revenues from the sale of goods are recognised when the significant risks and benefits of the ownership of the assets are transferred to the purchaser.

Revenues for services are recognised when the services are provided, with reference to the progress of completion of the activities.

Financial income and expense

Financial income and expenses are recognised in accordance with the accruals concept on the basis of the interest matured on the net value of the relative financial assets and liabilities and utilising the effective interest rate.

Dividends

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

Income taxes

Current income taxes for the period are determined based on an estimate of the taxable income and in accordance with current legislation.

Deferred tax assets and liabilities are calculated on temporary differences between the balance sheet values recognised in the financial statements and the corresponding values recognised for fiscal purposes, applying current fiscal rates at the balance sheet date.

The recognition of deferred tax assets is made when their recovery is probable, that is when it is expected that future taxable income sufficient to recover the asset will be available.

The recovery of the deferred tax asset is reviewed at each balance sheet date.

Reconciliation of shareholders' equity and the income statement

(Euro thousands)	Note	**Shareholders' equity January 1st 2005**	**Shareholders' equity December 31st 2005**	**Income Statement 2005**
Italian GAAP		**510,418**	**598,662**	**8,742**
Adjustments:				
Property, plant and equipment & investment property	a	114,128	29,998	18,864
Inventories	b	3,819	6,987	3,168
Other non-current provisions	c	(1,979)	(1,833)	146
Other adjustments	d	131	468	583
Fiscal effects of the adjustments	e	(43,217)	(13,122)	(8,270)

Total adjustments net of fiscal effect	**72.882**	**22,498**	**14,491**
IAS/IFRS	**583,300**	**621,160**	**23,233**

a) 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 recognised at their fair value at the transition date to IFRS.

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 recognised and depreciated in a single category in accordance with Italian GAAP, the components having different useful lives were identified and the relative depreciation was restated.

The effect of these adjustments on the shareholders' equity at January 1st, 2005 and at December 31st, 2005 were respectively approx. Euro 114,128 thousand and Euro 29,998 thousand. *The effect on the income statement in 2005 was Euro 18,864 thousand.*

b) Inventories

In accordance with IFRS, the cost of inventories must be determined adopting either the FIFO or the weighted 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 1st, 2005 and at December 31st,2005 of approx. Euro 3,819 thousand and Euro 6,987 thousand respectively.*

c) Other non-current provisions

IFRS requires that provisions for risks and charges 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 expenses of the production sites, to be incurred by the end of the production activity, are recognised at their current value as a component of the initial cost of the assets. The corresponding liability is recognised, 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 1st, 2005 and at December 31st, 2005 were approx. Euro 1,979 thousand and Euro 1,833 thousand respectively.

d) 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.

e) 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 31st, 2005

The consolidated cash flow statement reconciliation is not presented as 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 of the IFRS balance sheets at January 1st, 2005 and at December 31st, 2005, as well as the income statement for the year 2005, 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.

Annex 2

Transactions with related parties

In relation to the "related party" disclosure requirements as defined by CONSOB recommendation No. 2064231 of September 30th, 2002, there were no atypical and/or unusual transactions.

The tables below reports the transactions with subsidiary and associated companies and with the majority shareholder (Caltagirone S.p.A.) and related group companies.

Commercial and financial balances

HOLDING COMPANIES (in Euro)	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE PAYABLES	TOTAL
Caltagirone S.p.A.	0	0	0	(917,696)	(917,696)
TOTAL HOLDING COMPANIES	**0**	**0**	**0**	**(917,696)**	**(917,696)**

SUBSIDIARIES: (in Euro)	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE PAYABLES	TOTAL
Calcestruzzi Picciolini S.p.A.	704,137	3,864,298	0	0	**4,568,435**
Cementir Delta S.p.A.	0	214,289,181	0	0	**214,289,181**
Intercem S.A.	0	69,908,708	0	0	**69,908,708**
Cimentas A.S.	704,894	0	0	0	**704,894**
Alfacem S.r.l.	0	109,560	0	(285,924)	**(176,364)**
Aalborg Portland A.S.	1,955,140	0	0	0	**1,955,140**
UNICON A.S.	59,760	0	0	0	**59,760**
Aalborg White Italia Srl	20,000	0	0	0	**20,000**
Cem2004 srl	0	0	0	(363)	**(363)**
TOTAL SUBSIDIARIES	**3,443,931**	**288,171,747**	**0**	**(286,287)**	**291,329,392**

ASSOCIATED COMPANIES (in Euro)	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE PAYABLES	TOTAL
Speedybeton	142,664	0.00	0.00	0.00	142,664
TOTAL ASSOCIATED COM.	**142,664**	**0.00**	**0.00**	**0.00**	**142,664**

OTHER GROUP COMPANIES (in Euro)	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	FINANCIAL PAYABLES	TRADE PAYABLES	TOTAL
Vianini Lavori S.p.A.	660,398	0	0	(69,169)	**591,228**
Vianini Industria S.p.A.	509,459	0	0	0	**509,459**
Piemme S.p.A.	0	0	0	(12,124)	**(12,124)**
Caltanet S.p.A.	0	0	0	(3,547)	**(3,547)**
B2Win S.p.A.	361,844	0	0	(30,297)	**331,547**
TOTAL OTHER COMPANIES	**1,531,701**	**0**	**0**	**(115,137)**	**1,416,564**

Transactions in year

HOLDING COMPANIES (in Euro)	TRADE RECEIVABLES	FINANCIAL RECEIVABLES	DEBITI PAYABLES	TRADE PAYABLES	TOTAL
Caltagirone S.p.A.	0	0	(917,696)	0	**(917,696)**
TOTAL HOLDING COMPANIES	**0**	**0**	**(917,696)**	**0**	**(917,696)**

SUBSIDIARIES: (in Euro)	OPERATING REVENUES	FINANCIAL INCOME	OPERATING COSTS	FINANCIAL CHARGES	TOTAL
Calcestruzzi Picciolini S.p.A.	1,323,435	0	0	0	**1,323,435**
Cimentas A.S.	1,277,912	0	(1,795,797)	0	**(517,885)**
Alfacem S.r.l.	0	104	0	(12,526)	**(12,422)**
Aalborg Portland A.S.	1,587,037	0	0	0	**1,587,037**
Aalborg White Italia Srl	20,000	0	0	0	**20,000**
Cementir Espana S.L.	0	0	0	(188,774)	**(188,774)**
TOTAL SUBSIDIARIES	**4,208,384**	**104**	**1,795,797**	**(201,300)**	**2,211,391**

ASSOCIATED COMPANIES (in Euro)	OPERATING REVENUES	FINANCIAL INCOME	OPERATING COSTS	FINANCIAL CHARGES	TOTAL
Speedybeton	356,346	158,400	0	0	**514,746**
TOTALE ASSOCIATED COM.	**356,346**	**158,400**	**0**	**0**	**514,746**

OTHER GROUP COMPANIES (in Euro)	**OPERATING REVENUES**	**FINANCIAL INCOME**	**OPERATING COSTS**	**FINANCIAL CHARGES**	**TOTAL**
Vianini Lavori S.p.A.	693,638	0	(147,199)	0	**546,439**
Vianini Ingegneria S.p.A	0	0	(13,544)	0	**(13,544)**
Vianini Industria S.p.A.	437,061	0	0	0	**437,061**
Piemme S.p.A.	0	0	(29,306)	0	**(29,306)**
Caltanet S.p.A.	0	0	(11,823)	0	**(11,823)**
Fabrica Immobiliare SGR SpA	-	-	(1,322,304)	0	**(1,322,304)**
B2Win S.p.A.	490,928	0	(159,022)	0	**331,906**
TOTAL OTHER COMPANIES	**1,621,627**	**0**	**(1,683,198)**	**0**	**(61,571)**

Revenues invoiced to the subsidiary Calcestruzzi Picciolini S.p.A. and to the associated company Speedybeton S.p.A. relate to the sale of cement at normal market conditions. The revenues from the subsidiaries Cimentas A.S., Aalborg Portland A.S and Aalborg White Italia Srl relate to the provision of co-ordination services, consultancy and personnel.

The purchases from the subsidiary Cimentas A.S. relate to the supply of cement.

The revenues from B2Win S.p.A. relate to rental income (offices at Torrespaccata).

The transactions with companies under the same control of the majority shareholder, such as Vianini Lavori S.p.A. and Vianini Industria S.p.A. refer to income for the sale of cement.

The costs from the holding company and companies under common control relate to services of a different nature. During the year the Company has recognised a rental cost for the headoffice in Corso di Francia, to the Fabrica Immobiliare SGR SpA.

Annex 3

Other information

EQUITY HOLDINGS OF DIRECTORS, GENERAL MANAGER AND STATUTORY AUDITORS

(Disclosure as per CONSOB with deliberation 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.	4,394,244	495,000	0	4,889,244
Edoardo Caltagirone	Cementir S. p. A.	286,000	0	0	286,000
Alessandro Caltagirone	Cementir S. p. A.	3,121,404	0	0	3,121,404
Azzurra Caltagirone	Cementir S. p. A.	2,291,796	0	0	2,291,796
Mario Ciliberto	Cementir S. p. A.	80,000	10,000	0	90,000
Riccardo Nicolini	Cementir S. p. A.	20,000	69,498	31,998	57,500
Carlo Schiavone	Cementir S. p. A.	5,000	0	0	5,000

Remuneration

(Euro thousands)	**2006**
a) Directors	8,621
b) Statutory Auditors	147

REMUNERATION PAID TO DIRECTORS, GENERAL MANAGER AND STATUTORY AUDITORS

(Disclosure as per CONSOB with deliberation of 1/07/1998)

(Euro thousands)

(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	2008			4,730	
Alessandro Caltagirone	Director	Full year	2008	4			
Azzurra Caltagirone	Director	Full year	2008	1			
Luciano Leone	Director	Full year	2008	5			
Mario Ciliberto	Director	Full year	2008	3			1,102
Mario Delfini	Director	Full year	2008	6			
Pasquale Alcini	Director	Full year	2008	6			
Carlo Carlevaris	Director	Full year	2008	3			
Riccardo Nicolini	CFO	Full year	2008	119		124	347
Walter Montevecchi	Director	Full year	2008				2,098
Saverio Caltagirone	Director	Full year	2008	5			66
Alfio Marchini	Director	Full year	2008	2			
Claudio Bianchi	Chairman of Board of Statutory Auds.	Full year	2007	41			
Gianpiero Tasco	Statutory auditor	Full year	2007	41			
Carlo Schiavone	Statutory auditor	Full year	2007	41			24

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

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE No. 58 DATED 24 FEBRUARY 1998

CEMENTIR - CEMENTERIE DEL TIRRENO SPA

FINANCIAL STATEMENTS AT 31 DECEMBER 2006

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the Shareholders of
Cementir - Cementerie del Tirreno SpA

1 We have audited the financial statements of Cementir - Cementerie del Tirreno SpA, which comprise the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes as of 31 December 2006. 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. The aforementioned financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards as adopted by the European Union.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

The financial statements present the prior year corresponding figures prepared in accordance with the same accounting principles. Furthermore, the appendices to the notes to the financial statements explain the effects of the transition to IFRS as adopted by the European Union, and include the information related to the Reconciliation Schedules required by IFRS 1, which have been approved and published with the semiannual report at 30 June 2006, that we have audited, reference is made to our report dated 6 October 2006.

3 In our opinion, the financial statements of Cementir - Cementerie del Tirreno SpA as of 31 December 2006 comply with IFRS as adopted by the European Union, as well as the provisions enacted to implement Article 9 of Law Decree no. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of Cementir - Cementerie del Tirreno SpA for the year then ended.

Rome, 2 April 2007

PricewaterhouseCoopers SpA

Signed by

Massimo Grifantini
(Partner)

"This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation"