CEMENTERIE DEL TIRRENO SPA

# Consolidated Quarterly Report as of September 30$^{th}$, 2006

Board of Directors
November 9$^{th}$, 2006

Cementerie del Tirreno S.p.A.

**Registered office** Corso di Francia, 200 - 00191 Rome - Italy
**Share capital** Euro 159,120,000 fully paid-in
**Tax number** 00725950638 - **VAT number** 02158501003
**Company's Register Office Rome** No. 160,498

## Directors, officers and auditors

### Board of Directors

| | | |
|---|---|---|
| *Honorary Chairman* | | Luciano Leone |
| *Chairman* | 1 | Francesco Caltagirone Jr. |
| *Vice Chairman* | | Carlo Carlevaris |
| *Chief Executive Officer and Chief Operating officer* | 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 |
| *Members* | Giampiero Tasco |
| | Carlo Schiavone |

**Independent Auditors** PriceWaterhouseCoopers S.p.A.

1 Member of the Executive Committee

# Board of Directors Quarterly Report at September 30th, 2006

## 1. Performance in the first nine months and in the 3rd quarter of 2006

The present quarterly report drew up in compliance with international financial reporting standards (IAS/IFRS) and presented in accordance with attachment 3D, article 82 of CONSOB Regulation No. 11971/1999 and subsequent amendments.

**Table A**

| *(Euro thousands)* | Jan-Sept 2006 | Jan-Sept 2005 | Change % | 3rd Quarter 2006 | 3rd Quarter 2005 | Change % |
|---|---|---|---|---|---|---|
| **NET REVENUES FROM SALES AND SERVICES** | **774,389** | **636,724** | **21.62** | **270,083** | **234,346** | **15.25** |
| OTHER REVENUES | 10,387 | 8,425 | 23.29 | - | 3,672 | -100.00 |
| RAW MATERIAL COSTS | (299,689) | (243,621) | 23.01 | (96,558) | (87,693) | 10.11 |
| SERVICES COSTS | (179,337) | (159,560) | 12.39 | (61,954) | (55,697) | 11.23 |
| PERSONNEL COSTS | (107,714) | (87,894) | 22.55 | (39,205) | (29,710) | 31.96 |
| TOTAL OTHER OPERATING COSTS | (10,650) | (11,142) | -4.42 | (3,583) | (4,139) | -13.43 |
| **EBITDA** | **187,386** | **142,932** | **31.10** | **68,783** | **60,779** | **13.17** |
| *EBITDA/SALES %* | *24.20* | *22.45* | | *25.47* | *25.94* | |
| AMORTISATION, DEPRECIATION AND PROVISIONS | (49,927) | (45,882) | 8.82 | (15,469) | (14,940) | 3.54 |
| **EBIT** | **137,459** | **97,050** | **41.64** | **53,314** | **45,839** | **16.31** |
| *EBIT/SALES %* | *17.75* | *15.24* | | *19.74* | *19.56* | |
| **FINANCIAL RESULT** | **(15,753)** | **(4,577)** | | **2,707** | **(1,688)** | |
| **PROFIT BEFORE TAX** | **121,706** | **92,473** | **31.61** | **56,021** | **44,151** | **26.89** |

**Sales volumes**

| *(Thousands)* | Jan-Sept 2006 | Jan-Sept 2005 | Change % | 3rd Quarter 2006 | 3rd Quarter 2005 | Change % |
|---|---|---|---|---|---|---|
| GREY AND WHITE CEMENT (tons) | 7,430 | 6,878 | 8.02 | 2,675 | 2,322 | 15.23 |
| READY MIXED CONCRETE ($m^3$) | 3,166 | 2,812 | 12.59 | 1,048 | 1,009 | 3.82 |

The first nine months of 2006 recorded net revenues of Euro 774.4 million (+21.6% compared to Euro 636.7 million in the first nine months of 2005), an Ebitda of Euro 187.4 million (+31.1% compared to Euro 142.9 million in the first nine months of 2005) and an Ebit of Euro 137.5 million (+41.6% compared to Euro 97.1 million in the first nine months of 2005).

The third quarter of 2006 recorded net revenues of Euro 270.1 million (+15.3% compared to Euro 234.3 million in the third quarter of 2005), an Ebitda of Euro 68.8 million (+13.2% compared to Euro 60.8 million in the third quarter of 2005) and an Ebit of Euro 53.3 million (+16.3% compared to Euro 45.8 million in the third quarter of 2005). The financial result in the third quarter was impacted by the depreciation of the Turkish Lira - the largest decline against the Euro occurring in June and July, and subsequently recovering in September. In addition, the plants at Izmir and Edirne experienced technical disruptions in the quarter which were subsequently resolved.

Net revenues and Ebitda for the first nine months of 2006 at constant perimeter are reported below. The 2006 figures exclude Vianini Pipe, 4K-Beton and the Cimentas plant at Edirne (not part of the group on June 30th 2005).

| *(Euro thousands)* | **Jan-Sept 2006** | **Jan-Sept 2005** | **Change %** |
|---|---|---|---|
| **NET REVENUES FROM SALES AND SERVICES** | **714,196** | **633,843** | **12.68** |
| **EBITDA** | **170,026** | **142,429** | **19.38** |
| *EBITDA/SALES %* | *23.81* | *22.47* | |

There was also good growth in margins at a constant perimeter: against an increase of approximately 12.7% in Revenues, Ebitda increased by over 19%.

## 2. Revenue breakdown by geographical area

**Table B**

| *(Euro millions)* | Jan-Sept 2006 | Jan-Sept 2005 | Change % | 3rd Quarter 2006 | 3rd Quarter 2005 | Change % |
|---|---|---|---|---|---|---|
| EUROPE | 554.0 | 484.9 | 14.3 | 196.8 | 177.0 | 11.2 |
| ASIA | 165.9 | 105.2 | 57.7 | 50.3 | 39.3 | 28.0 |
| NORTH/CENTRAL AMERICA | 37.4 | 28.6 | 30.8 | 15.1 | 12.3 | 22.8 |
| NORTH AFRICA | 17.1 | 18.0 | -5 | 7.9 | 5.7 | 38.6 |
| **GROUP REVENUES** | **774.4** | **636.7** | **21.6** | **270.1** | **234.3** | **15.3** |

The table above shows Group revenue breakdown by geographic area in the first nine months and in the third quarter, compared to the same periods of 2005.

Revenue grew in all regions as already commented upon. In particular, the improvement in Europe is a consequence of good performance in two key markets, Scandinavia and Italy; in Asia the strong performance is mainly due to good trading in Turkey as well as the first time inclusion of the Edirne plant; In North and Central America the main contributors to the performance were both trading in the US and the first time inclusion of Vianini Pipe.

Cementir Group's geographic and product diversification allows to minimize country-specific risks and allows for a greater equilibrium both in terms of margins and cash flow.

The Group presence in emerging countries also favours the consolidation of a stronger market position in an expanding phase of the economic cycle.

## 3. Revenue breakdown by product

**Table C**

| *(Euro millions)* | Jan-Sept 2006 | Jan-Sept 2005 | Change % | 3rd Quarter 2006 | 3rd Quarter 2005 | Change % |
|---|---|---|---|---|---|---|
| GREY AND WHITE CEMENT | 486.8 | 406.8 | 19.7 | 170.4 | 155.7 | 9.4 |
| READY-MIXED CONCRETE | 287.6 | 229.9 | 25.1 | 99.7 | 78.6 | 26.8 |
| **GROUP REVENUES** | **774.4** | **636.7** | **21.6** | **270.1** | **234.3** | **15.3** |

The table above reports Group Revenue breakdown by product: in the first nine months of 2006, cement and ready mixed concrete contributed 62.9% and 37.1% of sales respectively. Such percentages are in line with the first nine months of 2005.
Net revenues increased by 21.6% compared to the same period in 2005: the value of the cement sold increased by 19.7%, while that of ready mixed concrete increased by 25.1%.

## 4. Net financial position

**Table D**

| *(Euro thousands)* | 30/09/2006 | 30/06/2006 | 31/12/2005 |
|---|---|---|---|
| CASH AND CASH EQUIVALENTS | 166,846 | 127,202 | 129,969 |
| FINANCIAL LIABILITIES NON CURRENT | (289,849) | (243,811) | (252,085) |
| FINANCIAL LIABILITIES CURRENT | (360,817) | (312,022) | (281,423) |
| **NET FINANCIAL POSITION** | **(484,180)** | **(428,631)** | **(403,539)** |

The net financial position as of September 30th, 2006 was negative for Euro 484.2 million, compared to Euro 428.6 million as of June 30th, 2006. Net debt, which increased by Euro 55.6 million compared to the end of the previous quarter, takes into account the acquisition of the Turkish company Elazig Cimento for USD 122 million (approximately Euro 96 million at the exchange rate at the close of the quarter). The Net Financial position as of September 30th, 2006 was, excluding the above-mentioned acquisition, better than budgeted.

## 5. Directors' Report and subsequent events

The first nine months confirmed the levels of activity recorded in the first part of the year. The Group results are in the upper range of our forecasts, in spite of increases in energy and transport costs, and 2006 is ending as another year of development and growth. There has been a progressive increase in sales, together with a continued increase in operating margins. These results were achieved thanks to constant benchmarking within the Group across countries, markets and products. The policy of geographic diversification has certainly being successful, both in value creation, and in the results achieved so far.

The quarter ended with another acquisition, continuing the strategic expansion which commenced some five years ago. On September 21st, 2006, the acquisition of the Turkish cement company Elazig Cimento was completed; the amount paid was USD 110 million and the company had a net debt of USD 12 million. Elazig Cimento has a factory in Eastern Anatolia with an annual production capacity of over 900,000 tonnes. With this acquisition, the Group has a total annual capacity in Turkey of approximately 5 million tonnes, becoming the third largest operator in the country, with four factories, all located in strategic areas and with high growth potential. In 2005, Elazig Cimento recorded revenues of USD 52 million and an Ebitda of USD 21.5 million; the number of employees is approximately 200. The operation further develops Cementir's international strategy with acquisitions totalling over Euro 1.1 billion to-date. 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 Cementir production network and its IT Information Systems are being migrated to the Group SAP platform.

Production and sales activities, as already illustrated, kept growing in the period across all markets compared to the first nine months of 2005.

This strong operational performance underpins and reinforces Cementir Group confidence in securing further investment opportunities, where favourable conditions may develop. After the first nine months management believe that some of the economic objectives of the 2006/2008 three-year plan can be reached ahead of schedule in the current year.

Rome, November 9th, 2006

*For the Board of Directors*
*the Chairman*

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