



CEMENTIR-CEMENTERIE DEL TIRRENO S.P.A.

Annual Report on Corporate Governance

(2007)

In accordance with the recommendations of Borsa Italiana, information is provided on the "governance" model adopted by Cementir – Cementerie del Tirreno s.p.a..

Composition and role of the Board of Directors

The Board of Directors of Cementir s.p.a. was appointed by the Shareholders' Meeting of April 20, 2006 for the three-year period 2006-2007-2008 and will remain in office until the approval of the financial statements as at December 31, 2008.

The Board of Directors currently consists of thirteen members as follows:

- Pasquale Alcini
- Alessandro Caltagirone
- Azzurra Caltagirone
- Edoardo Caltagirone
- Francesco Caltagirone Jr.
- Saverio Caltagirone
- Carlo Carlevaris
- Mario Ciliberto
- Mario Delfini
- Luciano Leone
- Alfio Marchini
- Walter Montevercchi
- Riccardo Nicolini

On May 10, 2006, the Board appointed the Chairman, Francesco Caltagirone Jr., conferring to him, independent of the rights and powers attributed by Law and the Company By-Laws, the widest powers of ordinary and extraordinary administration of the Company, except those reserved by Law or the By-Laws to the Shareholders' Meetings or to the Board of Directors.

The same meeting also appointed the Vice Chairman, Carlo Carlevaris, with the same powers of the Chairman, to be carried out exclusively in his absence or impediment and the appointment of Riccardo Nicolini as Chief Executive Officer - also appointed as the General Director "ad interim" - delegating the powers of ordinary administration for business operations and management and for the execution of board resolutions.

In particular, at the board meeting of November 9, 2006, the Board of Directors delegated to the Chief Executive Officer, Mr. Nicolini, legal representation of the Company with the widest powers to undertake all actions necessary for the ordinary administration of the

company and to undertake all actions necessary to ensure legal compliance with obligations undertaken as an employer, in accordance with Legislative Decree No. 626/1994 and subsequent amendments and integrations, including the co-ordination of the activities relating to workplace security, work place hygiene, ecological protection of the internal environment, with exclusion, in any case, of real estate operations and purchases and sale of equity investments.

The Executive Directors, in accordance with article 1.2 of the Self-Governance Code (2002 version), report to the Board on a quarterly basis on the activities performed of a significant nature, in relation to their respective functions.

The current “non executive” Directors are Pasquale Alcini, Alessandro Caltagirone, Azzurra Caltagirone, Edoardo Caltagirone, Saverio Caltagirone, Carlo Carlevaris, Mario Delfini, Alfio Marchini and Luciano Leone; in addition to the Chairman and the Chief Executive Officer, the following are considered “executive” Directors: Mario Ciliberto, Chairman of the subsidiary Aalborg Portland A/S, and Walter Montevecchi, Chairman of the subsidiary Cimentas A/S.

The Board of Directors, in the first meeting after their appointment on May 10, 2006, verified on the basis of the declarations made and information already held, the following directors as “independent”: Alfio Marchini, Luciano Leone and Carlo Carlevaris in that

- they do not have important economic dealings with the company
- they do not have shareholdings in the company
- they are not close relatives with executive directors of the Company
- they do not participate in shareholder agreements for the control of the Company.

Some members of the Board of Directors cover the following roles in other listed companies in regulated markets (including abroad) or of an important size:

Pasquale Alcini	Chairman Tor Vergata S.c.a.r.l. Vice Chairman Metropolitana di Napoli S.p.A. Chief Executive Officer Vianini Lavori S.p.A. Director Acqua Campania S.p.A. Director Metro C S.p.A.
Alessandro Caltagirone	Chairman Vianini Industria S.p.A. Chairman Fincal 2000 S.p.A. Chairman Fincal S.p.A. Sole Director Vianini Ingegneria S.p.A. Director Caltagirone S.p.A. Director and member of E. C. Vianini Lavori S.p.A. Director Il Messaggero S.p.A. Director Cimentas A.S.
Azzurra Caltagirone	Chief Executive Officer Leggo S.p.A. Director Caltagirone Editore S.p.A. Director Il Mattino S.p.A. Director Il Messaggero S.p.A. Director Il Gazzettino S.p.A. Director Corriere Adriatico S.p.A. Director Quotidiano di Puglia S.p.A.

Edoardo Caltagirone	Director Caltagirone s.p.a.
Francesco Caltagirone Jr.	Vice Chairman Cimentas A.S. Vice Chairman Cimbeton A.S. Vice Chairman Aalborg-Portland A.S. Vice Chairman Unicon A.S. Vice Chairman Kars A.S. Director Caltagirone S.p.A. Director Caltagirone Editore S.p.A. Director Banca Finnat Euramerica S.p.A.
Saverio Caltagirone	Director Roma Ovest Costruzioni Edilizie Spa
Carlo Carlevaris	Chairman Banca Finnat Euramerica S.p.A. Director Caltagirone S.p.A. Director Vianini Lavori S.p.A. Director Vianini Industria S.p.A. Director Il Messaggero S.p.A.
Mario Ciliberto	Chairman Aalborg Portland A.S. Chairman Unicon A.S. Director Cimentas A.S. Director Vianini Industria S.p.A. Director Kars A.S. Director Cimbeton A.S.
Mario Delfini	Chairman Vianini Lavori S.p.A. Vice Chairman Fabrica Immobiliare SGR Director Caltagirone S.p.A. Director Caltagirone Editore S.p.A. Director Vianini Industria S.p.A. Director Il Messaggero S.p.A. Director Il Gazzettino S.p.A.
Alfio Marchini	Chairman and C.E.O Astrim S.p.A. Director Capitalia S.p.A. Chairman FI.MAR. S.p.A. Chairman Keryx S.p.A. Sole Director Lujan S.r.l. Director So.fi.mar. International S.A. Director STM S.p.A. Director Edilnova Romana S.r.l.
Walter Montevercchi	Chairman Cimentas A.S. Chairman Cimbeton A.S. Chairman Kars A.S. Chairman Aalborg Portland A.S. Director Unicon A.S. Director Alfacem S.r.l.

Riccardo Nicolini

Director Cimentas A.S.
Director Cimbeton A.S.
Director Aalborg Portland A.S.
Director Kars A.S.
Chairman Alfacem S.r.l.

In particular, the Board of Directors of Cementir S.p.A.:

- attributes the powers to the directors and the executive committee;
- determines, after examining the proposals by the relevant committee and the board of statutory auditors, the remuneration of the executive directors and those that cover specific roles;
- monitors the general operational performance, with special attention to conflicts of interest;
- examines and approves transactions that have a significant economic, financial or equity impact, with particular reference to related party transactions;
- verifies the adequacy of the general organisational and administrative structure of the Company;

It is consolidated practice that the significant economic and financial operations, including those with related parties, are subject to the prior examination and approval by the Board of Directors, who receive all the necessary information in order to deliberate on the matters contained in the agenda.

The By-Laws do not contain provisions for a minimum number of Board meetings, which in any case meet on a quarterly basis, except when convened on a timely basis wherever there is a necessity. In 2006, the Board of Directors met six times.

Adequate documentation was provided in each of the meetings, such as to permit the Directors a detailed and informed participation at the meeting.

For the year 2007, at least 6 meetings are planned for the approval of the quarterly, half-yearly and annual accounts; the Company in January 2007 published the corporate calendar for the year.

Appointment and remuneration of directors

There are no specific procedures for the appointment of Directors nor obligations to deposit the curriculum vitae of the candidates before the Shareholder' Meeting.

The Directors are appointed by the Shareholders' Meeting on the proposal of the Shareholders as per the provisions of the Bye-Laws and Law.

The Board did not consider it necessary to implement an internal committee for the nomination of directors, as up to the present moment, the shareholders' meetings have never encountered significant problems in the identification of directors.

A "Remuneration Committee" was however set up that consists of two independent directors, Carlo Carlevaris and Luciano Leone, and the non-executive director Mario Delfini. The Committee is chaired by the independent Director Luciano Leone.

The Chairman of the Board of Statutory Auditors attends all meetings of the Committee.

The Remuneration Committee makes proposals to the Board of Directors for the remuneration of the executive directors and/or those covering specific roles, including through the use of instruments for incentives related to the economic results of the company and/or the reaching of specific objectives which may include stock option plans. They also make proposals, on the indications of the executive directors, for the determination of the criteria for the remuneration of the senior management of the company, while maintaining responsibility for the definition and remuneration of senior management. The Committee has the right to avail of external consultants, at the expense to the company.

This Committee has identified, in consideration of the organisational structure of the Company, the Chairman, the Chief Executive Officer and the General Director as the offices for which remuneration should be based on incentives related in a significant manner to the results achieved and/or the reaching of specific objectives.

The Committee met twice in 2006.

The Board, on the proposal of the Remuneration Committee established that for the Chairman, the remuneration would be based on the performance of the Company related exclusively to the financial cash flows of the Cementir Group, and for the Chief Executive Officer, that a significant part of the remuneration would be based on the gross profit of only Cementir S.p.A.

The Internal Control System

The Internal Control Committee consists of two independent directors, Carlo Carlevaris and Luciano Leone, and the non-executive director Mario Delfini. The Committee is chaired by the independent Director Luciano Leone.

The "Internal Control Committee" has the functions of verifying and providing proposals in relation to the effective compliance with the internal procedures, both of an operative and administrative nature, adopted in order to guarantee correct and efficient management, as well as the identification, prevention and management of the possible risks of a financial and operational nature, and of fraud harmful to the Company. In particular, the Internal Control Committee:

- defines the guidelines of the internal control system and verifies its adequacy and functioning;
- evaluates the work plan prepared by those in charge of internal control and receives their reports periodically;
- evaluates, together with the persons responsible for the administration functions of the company and the auditing firm, the adequacy of the accounting principles applied and, for the group, their uniformity in the preparation of the consolidated financial statements;
- evaluates the proposals received from the external audit firms, the audit work plan, the auditors' report and management recommendation letter;

- at least every six months, at the time of the approval of the annual and half-yearly accounts, the Board shall be informed on the work carried out and the adequacy of the internal control system;
- performs the additional tasks assigned by the board of directors, particularly concerning the external audit firm;
- performs their functions in co-ordination with the Board of the Statutory Auditors whose Chairman or other members participate in the work of the Committee.

The Committee met twice in 2006.

The person responsible for internal control, Mr. Francesco Paolucci, has the function of verifying the effective compliance with the internal procedures, both of an operative and administrative nature, adopted in order to guarantee correct management, as well as the identification, prevention and management, as far as possible, of risks of a financial and operational nature and the risk of fraud harmful to the company. The person responsible reports to the Internal Control Committee, the Chief Executive Officer and the Statutory Auditors.

Treatment of reserved information

There are no written procedures for the management and external communication of documents and information, but all of the directors and statutory auditors maintain the most stringent confidentiality on the documents and information acquired in the performance of their functions.

The Company has adopted a code of conduct (internal dealing), in order to govern the information obligations that the “relevant persons” (directors, statutory auditors, general director, vice general director, financial and administration director, Investor Relator etc.) must respect, in relation to Consob and the Company, transactions on listed financial instruments or other connected financial instruments, issued by Cementir S.p.A..

The “conduct code” was updated in accordance with the new regulations introduced by the law on investment (263/05) Consob Regulation No. 11972 (art.152 bis) which entered into law on April 1, 2006.

From April 1, 2006, the company created, in accordance with article 115-bis of the Finance Act and Consob Regulation No. 11971 and subsequent amendments, a register of persons having access to price sensitive information, which was regularly updated during the year.

Relationship with shareholders

Mr. Marco Maria Bianconi is the person responsible for the “Relations with institutional investors and the other shareholders” (investor relator) and reports directly to the Board and/or to the executive directors.

The person responsible for communications is Ms. Chiara Raiola.

Shareholders' Meetings

The Board of Directors, taking into consideration the correct functioning of the Shareholder Meetings up to the present moment, does not consider it necessary to propose the adoption of specific Regulations.

Statutory Auditors

The Board of Statutory Auditors was approved by the Shareholders' Meeting of April 14, 2005 for the three year period 2005-2006-2007 and consists of three standing members and three alternate members:

Mr. Claudio Bianchi	Chairman
avv. Giampiero Tasco	Statutory Auditor
Mr. Carlo Schiavone	Statutory Auditor
Mr. Federico Malorni	Alternate Auditor
Mr. Vincenzo Sportelli	Alternate Auditor
Mr. Maria Assunta Coluccia	Alternate Auditor

The standing members that hold offices in other listed companies or of significant size are as follows:

- Mr. Claudio Bianchi
Chairman, Board of Statutory Auditors
St API – Anonima Petroli Italiana S.p.A.
Chairman, Board. Stat. Aud. GS S.p.A. (Gruppo Carrefour)
Chairman, Bd. Stat. Aud. LNG Shipping S.p.A. (Gruppo ENI)
Chairman, Bd. Stat. Aud. Maccarese Sp.A. (Gruppo Benetton)
Standing Auditor Grandi Stazioni S.p.A. (Gruppo FS)
Standing Auditor Metro C S.p.A.
Standing Aud. MontePaschiVita S.p.A. (Gruppo MontePaschi)
Standing A. MontePaschiDanni S.p.A. (Gruppo MontePaschi)
- avv. Giampiero Tasco
Chairman, Bd. of Stat. Auds. Caltagirone Editore S.p.A.
Chairman, Bd. of Stat. Auds. Società Italiana per il Gas S.p.A.
Chairman, Bd. of Stat. Auds. Fabbrica Immobiliare SGR
Chairman, Bd. of Stat. Auds. Silvano Toti S.p.A.
Standing Auditor Vianini Lavori S.p.A.
Standing Auditor Vianini Industria S.p.A.
Standing Auditor Caltagirone S.p.A.
Standing Auditor Sansedoni S.p.A.
Director IPI S.p.A.
- dott. Carlo Schiavone
Chairman, Bd. of Stat. Auds. Vianini Lavori S.p.A.
Chairman, Bd. of Stat. Auds. Il Mattino S.p.A.
Chairman, Bd. of Stat. Auds. Ingg. Provera e Carrassi
Impresa di Costruzioni S.p.A.
Chairman, Bd. of Stat. Auds. Roma Ovest Costruzioni Edilizie
S.p.A.
Standing Auditor Caltagirone S.p.A.
Standing Auditor Caltagirone Editore S.p.A.

- Standing Auditor Vianini Industria S.p.A.
 Standing Auditor Il Messaggero
 Standing Auditor MPS Immobiliare S.p.A.
- Mr. Federico Malorni Standing Auditor Casa di Cura Mater Dei S.p.A.
 Independent Auditor Italiana Costruzioni S.p.A.
 Standing Auditor Prim S.p.A.
 Chairman, Bd. Stat. Auds. A. Pontecorvo & C. S.p.A.
 Chairman, Bd. Stat. Auds. Fontenova S.p.A.
 Standing Auditor Cementir Delta S.p.A.
 Member of technical committee Fondo Colonna
 Independent auditor Visconti Cesi S.p.A.
- Mr. Vincenzo Sportelli Chairman, Bd. Stat. Auds. Italiana Costruzioni S.r.l.
 Chairman, Bd. Stat. Auds. Cogel S.p.A.
 Standing Auditor Casa di Cura Mater Dei S.p.A.
 Standing Auditor Cemencal S.p.A.
 Standing Auditor Il Mattino S.p.A.
 Standing Auditor A. Pontecorvo & C. S.p.A.
 Standing Auditor Fontenova S.p.A.
 Standing Auditor De Santis Costruzioni S.p.A.
- Maria Assunta Coluccia Standing Auditor Caltagirone Editore S.p.A.
 Standing Auditor Il Mattino S.p.A.
 Standing Auditor Roma Ovest Costruzioni Edilizie S.p.A.
 Standing Auditor Italiana Costruzioni S.p.A.

On May 10, 2006, on the first meeting of the new Board, a verification was made, based on the declarations received from the parties concerned, of their requisites for honourability in accordance with article 147 of the Finance Act.

The Board of Statutory Auditors met three times in 2006.

The appointment of the Statutory Auditors by the Shareholders' Meeting is made by the voting of lists, in accordance with the procedures of article 15 of the By-Laws. The Board remains in office for three years and may be re-elected.

Shareholders who hold at least 2% of the share capital have the right to present lists.

The lists must be deposited at the registered office ten days before the date fixed for the shareholders' meeting in first convocation, together with the certification for participation at the Shareholders' Meeting.

At the end of the voting, the Board of Statutory Auditors will be made up of the two standing auditors and the two alternate auditors from the list having the highest number of votes and of one standing auditor, and one alternate auditor from the list having the second highest number of votes.

On March 14, 2007, the Board of Directors on the proposal of the Chairman, after consulting with the Board of Statutory Auditors, considered the current corporate governance structure and the operating practices of the company to be already largely adhered to and in line with the corporate structure proposed by the new Self Regulation Code:

- in consideration of the possibility to amend the structure over time in accordance with the recommendations contained in the new version of the Code
- considering the necessity to amend the Company By-laws in accordance with the recent legislation in relation to which we believe it appropriate to await the definitive regulations from Authorities
- in consideration of the company reorganisation currently in progress, also consequent of the rapid and significant international expansion in recent years,
- in consideration of the review of all the internal procedures as well as the preparation of a new series of procedures, among which, those in relation to the governance of “related-party operations” and for the management of “reserved information and rumours”, in accordance with the Organisational Model as per Law 231/2007;

deliberated to postpone application of the new Self Regulation Code until further verification is carried out by the end of the year, once the internal reorganisation is completed, including the approval of the organisational model as per Law 231/2001, once the company By-Law amendments are defined and approved in accordance with the new regulations on corporate governance and when there is greater regulatory clarity.

Rome, April 3, 2007
Cementir-Cementerie del Tirreno S.p.A.