



Cementerie del Tirreno S.p.A.

REPORT ON THIRD QUARTER 2004

Board of Directors

Honorary Chairman *Luciano Leone*

Chairman *Francesco Caltagirone**

Deputy Chairman *Carlo Carlevaris*

Managing Director *Mario Ciliberto**

Directors

Pasquale Alcini
Edoardo Caltagirone
Saverio Caltagirone
Mario Delfini
Alfio Marchini
Walter Montevecchi
*Riccardo Nicolini***

Board of Auditors

Chairman *Claudio Bianchi*

Auditors

Giampiero Tasco
Carlo Schiavone

** Componenti Comitato Esecutivo*

*** Direttore Generale*

Report of the Board to the Financial Statements for the Third Quarter of 2004

Results for the first 9 months of 2004

	<i>(Euro 000)</i>		<i>%</i>	
	Jan-Sept 2004	Jan-Sept 2003	Jan-Sept 2004	Jan-Sept 2003
NET SALES	233.351	219.149	100,00	100,00
RAW MATERIALS	95.999	93.102	41,13	42,48
EXTERNAL SERVICES	46.741	39.598	20,03	18,07
CAPITALIZED COSTS	276	140	0,11	0,06
GROSS PROFIT	90.887	86.589	38,95	39,51
LABOUR COSTS	24.358	23.582	10,44	10,76
OTHER REVENUES	1.089	0	0,47	0,00
OTHER COSTS	481	0	0,21	0,00
EBITDA	67.137	63.007	28,77	28,75
D&A	21.736	21.907	9,31	9,99
NON INCOME TAXES	1.437	0	0,62	0,00
OTHER PROFITS/(COSTS)	0	(4.046)	0,00	(1,85)
EBIT	43.964	37.054	18,84	16,91
FINANCIAL REVENUES	11.711	7.972	5,02	3,63
FINANCIAL COSTS	5.475	7.196	2,35	3,28
FINANCIAL RESULT	6.236	776	2,67	0,35
ORDINARY RESULT	50.200	37.830	21,51	17,26
EXTRAORDINARY ITEMS	(512)	(6.683)	(0,22)	(3,05)
PROFIT BEFORE TAXES	49.688	31.147	21,29	14,21
NUMBER OF EMPLOYEES	1.288	1.219		

Main figures for the first 9 months of 2004

(Euro millions)	Jan-Sept	Jan-Sept	Δ %
	2004	2003	
Net Sales	233,3	219,1	6,48
• Italy	154,4	149,3	3,42
• Turkey	78,9	69,8	13,04
Ebitda	67,1	63,0	6,51
• Italy	49,3	53,5	(7,88)
• Turkey	17,9	9,5	87,48
Ebit	44,0	37,1	18,60
• Italy	34,3	36,3	(5,46)
• Turkey	9,7	0,8	--

Net Sales

Group Net Sales for the first 9 months of 2004 was € 233,3 millions increasing by € 14,2 millions (+6.48%) from € 219,1 millions in the same period of last year. Italian operations posted sales of € 154,4 millions up by € 5,1 millions (+3.4%); Cimentas (Turkey) posted sales of € 78,9 millions up by € 9,1 millions (+13%).

Net Sales include € 28,0 millions from ready mix concrete business (€ 22 millions in the first 9 months of 2003).

Gross Profit

For the first 9 months Gross Operating Oprofit improved by 5% increasing to € 90,9 millions from € 86,6 millions of the same period of 2003.

In order to provide more information on Group activity, some items have been classified differently: in particular, board members and auditors remuneration is included in 'External Services'.

Ebitda

Group Ebitda for the first 9 months of 2004 was € 67,1 millions up by 6.5% (€ 4,1 millions) from € 63 millions of 2003.

Italian operations Ebitda declined by € 4,2 millions (-7.9%) to € 49,3 millions mainly due to higher input costs, including energy, raw materials and transport. Turkish operations Ebitda grew by € 8,3 millions (+87.5%) to € 17,9 millions thanks to the restructuring program undertaken since Cimentas was acquired in 2001 and to the increase in sales volumes and prices.

Ebit

Strong improvement of Group Ebit up by 18.6% to € 44,0 millions.

Net Financial Result

For the first 9 months of 2004, Group Net Financial Result reached €6,2 millions from €0,8 millions of the same period of last year. Net Financial Position includes €3 millions of profits from foreign currency.

Profit before taxes

Profit before taxes reached €49,7 millions from €31,1 millions in the first 9 months of 2003. In the same period D&A decreased to €21,7 millions from €22 millions.

Labour costs

The number of employees increased from 1.233 as of December 31st 2003 to 1.288 as of September 30th 2004 (731 in Cimentas, 557 in Cementir). Breakdown by category is as follows: 35 managers, 678 executives, 575 factory workers.

Subsidiaries

Consolidated accounts include: subsidiaries operating in the cement sector (Cementir, Cimentas, Kars Cimento), ready-mix concrete sector (Calcestruzzi Picciolini, Cimbeton) as well as holding companies such as Cementir Delta, Intercem, Alfacem.

Treasury shares

On September 30th 2004 Cementir owned 2.533.226 treasury shares at an average price of €2.81 per share, representing 1,59% of outstanding equity.

Results for the third quarter of 2004

	(Euro 000)		%	
	Jul-Sept 2004	Jul-Sept 2003	Jul-Sept 2004	Jul-Sept 2003
NET SALES	82.276	77.100	100,0	100,0
RAW MATERIALS	31.888	30.385	38,8	39,4
EXTERNAL SERVICES	15.189	12.751	18,4	16,5
CAPITALIZED COSTS	94	27	0,1	0,0
GROSS PROFIT	35.293	33.991	42,9	44,1
LABOUR COSTS	8.033	7.682	9,7	10,0
OTHER REVENUES	204	0	0,2	0,0
OTHER COSTS	104	0	0,1	0,0
EBITDA	27.360	26.309	33,3	34,1
D&A	7.721	7.115	9,4	9,3
NON INCOME TAXES	363	0	0,4	0,0
OTHER PROFITS/(COSTS)	0	(801)	0,0	(1,0)
EBIT	19.276	18.353	23,4	23,8
FINANCIAL REVENUES	2.159	2.291	2,6	2,9
FINANCIAL COSTS	1.538	3.178	1,9	4,1
FINANCIAL RESULT	621	(887)	0,8	(1,2)
ORDINARY RESULT	19.897	17.466	24,2	22,6
EXTRAORDINARY ITEMS	124	(19)	0,2	(0,0)
PROFIT BEFORE TAXES	20.021	17.447	24,3	22,6

Main figures for the third quarter of 2004

	(Euro millions)		Δ %
	Jul-Sept 2004	Jul-Sept 2003	
Net Sales	82,3	77,1	6,74
• Italy	55,0	51,0	7,8
• Turkey	27,3	26,1	4,6
Ebitda	27,4	26,3	4,2
• Italy	19,6	20,6	(4,9)
• Turkey	7,8	5,7	36,8
Ebit	19,3	18,4	4,9
• Italy	14,2	15,4	(7,8)
• Turkey	5,1	3,0	70,0

Net Sales

Group Net Sales in the third quarter of 2004 increased by 6.7% to €82,3 millions from €77,1 millions in the same period of last year.

Gross Profit

Third quarter 2004 Gross Profit reached €35,3 millions up by 3.8% from third quarter 2003 (€34 millions).

Ebitda

Group Ebitda was €27,4 millions up by 4.2% from third quarter 2003 (€26,3 millions).

Ebit

Group Ebit increased by 4.9% to €19,3 millions from €18,4 millions of the third quarter of 2003.

Labour costs

The number of employees increased from 1.281 as of June 30th 2004 to 1.288 as of September 30th 2004 (731 in Cimentas, 557 in Cementir). Breakdown by category is as follows: 35 managers, 687 executives, 575 factory workers.

Net Financial Position

On September 30th 2004 Group Net financial position reached €132,1 millions (€112,7 millions on December 31th 2003; €111,6 millions on June 30th 2004).

<i>(Euro 000)</i>	30/09/2004	30/06/2004	31/12/2003
NET CASH	203.277	194.336	189.535
LONG TERM DEBT	49.718	49.718	50.191
SHORT TERM DEBT	21.438	33.002	26.614
NET FINANCIAL POSITION	132.121	111.616	112.730

Amongst significant events occurred in the first 9 months of 2004, we highlight the following.

Cementir paid dividends of around €9,4 millions and taxes of around €12 millions, of which €8,5 millions due to revaluation of tangible assets in 2003 (L. 342/2000).

With reference to the fine imposed in 1994 by the European Commission because of antitrust behaviour (breach of art. 85 of CEE Treaty), the European Court of Justice rejected Cementir appeal and ordered payment of €12.2 millions to be made. As a consequence Cementir paid such fine on February 10th, 2004.

Outlook for 2004

We expect the positive performance achieved in first 9 months of 2004 to be repeated for the remainder of the year. We highlight that Group Net Sales and Group Ebit improved by 6.4% and 19%, respectively compared to the same period of 2004.

Main events occurred after third quarter

On August 12th 2004 Cementir SpA acquired 100% of the share capital of Aalborg Portland A/S and Unicon A/S, the cement and ready-mix concrete businesses of Danish holding FLS Industries A/S.

On October 29th 2004 all official approvals were received and therefore the acquisition was closed and the transfer of shares has been made in accordance with the agreement signed.

Transaction Details:

- Cementir SpA acquires 100% of both companies for an Enterprise Value of €572 millions including net debt of €213 millions
- Consideration, based on financial statements as of December 31st 2003, will be subject to slight adjustment by December 31st 2004
- Price will be paid in cash from internal resources for about €200 millions and bank debt for the remainder.

Aalborg Portland A/S:

- Worldwide leading producer of white cement
- The only grey cement producer in Denmark
- Significant raw materials supply
- Competitive, high quality production plants in Denmark, Egypt, Malaysia, USA
- 2003 financial highlights:
 - Sales: €202.4 m
 - Ebitda: €68.9 m
 - Ebit: €48.1 m
 - Cement capacity: 3.5 m tons per annum
 - Employees: 900

Unicon A/S:

- The only Pan-Nordic ready mix producer
- Market leader in Denmark and Norway
- Production plants in Denmark, Sweden, Norway, Poland
- 2003 financial highlights:
 - Sales: €179,1 m
 - Ebitda: €27.3 m
 - Ebit: €12.2 m
 - Ready mix concrete sales: 1.9 m cubic meters
 - Employees: 750

The transaction will enable Cementir to transform itself into a significant Pan-European, vertically integrated player and will provide an excellent geographical fit and platform for growth. The acquired companies have leading positions in their local markets and brand names which will complement those of Cementir providing the following benefits:

- Worldwide leadership in the fast-growing market of white cement
- Diversified geographical presence in Europe, North Africa, Middle East, Asia and North America
- Revenue increase of 130% and Ebitda increase of 110% (based on 2003 data)

Enlarged group highlights (based on 2003 data):

- Sales: € 700 m
- Ebitda: € 180 m
- Ebit: € 113 m
- Cement capacity: 11.1 m tons
- Ready mix concrete sales: 3 m cubic meters per annum
- Employess: about 3.000

With the acquisition of Aalborg Portland A/S and Unicon A/S, Cementir complements its strong Mediterranean bias with Northern European and overseas presence (exports to 70 countries worldwide).

In October 2004 Cementir sold the Corso Francia (Rome) headquarter building to the controlled company Compact Puglia S.r.l. for € 20 millions in cash plus € 11,6 millions of mortgage debt. The net capital gain from the transaction was € 11,7 millions.

In October 2004 a preliminary agreement to sell Compact Puglia S.r.l. to associated company SO.G.IM. S.r.l. was reached with a downpayment of € 8 millions. We highlight that Compact Puglia S.r.l. is 95% controlled by Cementir S.p.A. and 5% by Calcestruzzi Picciolini S.p.A. The acquisition should be closed by December.

Moreover in October, controlled company Alfacem sold to Vianini Lavori S.p.A. its stake in Edigolfo S.p.A (25% of the share capital). The book value was € 826,000. The acquisition price was € 6 millions. The capital gain was € 5,2 millions.

Rome, November 8th 2004

*On behalf of the Board of Directors,
the Chairman*