# CEMENTIR GROUP

# CONSOLIDATED QUARTERLY REPORT

# AS OF MARCH 31st 2006

## Board of Directors

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|---|---|
| *Honorary Chairman* | Luciano Leone |
| *Chairman* | Francesco Caltagirone Jr. |
| *Vice Chairman* | Carlo Carlevaris |
| *Managing Director and General Director* | Riccardo Nicolini |
| *Directors* | Pasquale Alcini<br>Edoardo Caltagirone<br>Saverio Caltagirone<br>Azzurra Caltagirone<br>Alessandro Caltagirone<br>Mario Ciliberto<br>Mario Delfini<br>Alfio Marchini<br>Walter Montevecchi |

## Board of Statutory Auditors

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|---|---|
| *Chairman* | Claudio Bianchi |
| *Statutory Auditors* | Giampiero Tasco<br>Carlo Schiavone |

# Board of Directors Quarterly Report on Operations at March 31, 2005

## 1. Performance in the 1st quarter of 2006

In accordance with Consob Regulation No. 11971/1999, as amended by resolution No. 14990/2005, the present quarterly report was prepared adopting international accounting standards (IFRS). Therefore, the accounting and consolidation principles present differences compared to the past. For comparative purposes, the data of the previous year were adjusted using the same accounting standards (IFRS) and, where necessary, classified in accordance with the criteria adopted on March 31, 2005.

**Table A**

| *(Euro thousands)* | **1st Quarter 2006** | **1st Quarter 2005** | **Change %** |
|---|---|---|---|
| **NET REVENUES FROM SALES AND SERVICES** | **217,243** | **171,302** | **26.82** |
| OTHER REVENUES | 5,306 | 1,704 | 211.38 |
| RAW MATERIAL COSTS | (97,006) | (68,201) | 42.24 |
| SERVICES | (54,275) | (47,682) | 13.83 |
| LABOUR COSTS | (31,571) | (28,578) | 10.47 |
| TOTAL OTHER OPERATING COSTS | (3,688) | (3,551) | 3.86 |
| **EBITDA** | **36,009** | **24,994** | **44.07** |
| *EBITDA/SALES %* | *16.58%* | *14.59%* | |
| AMORTISATION, DEPRECIATION AND PROVISIONS | (16,030) | (14,924) | 7.41 |
| **EBIT** | **19,979** | **10,070** | **98.40** |
| *EBIT/SALES %* | *9.20%* | *5.88%* | |
| **FINANCIAL RESULT** | **(4,933)** | **(3,347)** | **47.39** |
| **PRETAX RESULT** | 15,046 | 6,723 | 123.80 |

The first quarter of 2006 recorded net revenues of Euro 217.2 millions (+27% compared to Euro 171.3 millions in the first quarter of 2005), an Ebitda of Euro 36 millions (+44% compared to Euro 25 millions in the first quarter of 2005) and an Ebit of Euro 20 millions (+98% compared to Euro 10 millions in the first quarter of 2005).

Ebitda and Ebit margins improved by 2% and 3.3%, respectively, compared to the first quarter of 2005. The increase in net revenues was due to the good sales performance in all of the macro geographic areas in which the Group operates. Turnover, which increased by approximately Euro 46 millions, recorded significant growth in Denmark, Italy and Turkey. In Italy, the first quarter confirmed the signs of recovery seen at the end of 2005.

The Ebitda increase in the quarter was a result of greater efficiency, principally in the Italian operations which were affected by higher energy costs at the beginning of 2005. In the first quarter of 2006, the better price/volumes mix and favourable climatic conditions allowed for a significant recovery in performance. In Turkey, buoyant market conditions determined an increase in both revenues and Ebitda. In Denmark, where operations have been affected by adverse weather conditions in the first part of the year, first quarter '06 Ebitda was in line with the same period of the previous year.

The above considerations are even more evident at the Ebit level, which increased by 98% compared to the first quarter of 2005, given a constant level of depreciation and provisions.

Changes in the consolidation scope compared to the first quarter of 2005 were not significant; net revenues and Ebitda at constant perimeter (excluding Vianini Pipe, 4K-Beton and the Edirne factory) are reported below:

| *(Euro thousands)* | **1st Quarter 2006** | **1st Quarter 2005** | **Change %** |
|---|---|---|---|
| **NET REVENUES FROM SALES AND SERVICES** | **203,553** | **171,302** | **18.83** |
| **EBITDA** | **34,406** | **24,994** | **37.66** |
| *EBITDA/SALES %* | *16.9%* | *14.6%* | |

## 2. Revenue breakdown by Geography

**Table B**

| *(Euro millions)* | **1st Quarter 2006** | **1st Quarter 2005** | **Change %** |
|---|---|---|---|
| EUROPE | 155.4 | 129.6 | 19.9 |
| ASIA | 46.7 | 28.8 | 62.2 |
| NORTH/CENTRAL AMERICA | 11.7 | 7.3 | 60.3 |
| NORTH AFRICA | 3.4 | 5.6 | (39.3) |
| **GROUP REVENUES** | **217.2** | **171.3** | **26.8** |

The table above shows Group Revenue breakdown by geographic area in the first quarter of 2006, compared to the same period in 2005.

Revenues grew in all geographies with the exception of North Africa, which has a limited impact on total Revenues. In Europe, the better performance in comparison to the first quarter 2005 was principally due to the Italian market and to a lesser extent, to the Scandinavian market; in Asia it was driven by Turkey, while in North and Central America the increase was due to the first time consolidation 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)* | **1st Quarter 2006** | **1st Quarter 2005** | **Change %** |
|---|---|---|---|
| GREY & WHITE CEMENT | 139.0 | 109.8 | 26.6 |
| CONCRETE | 78.2 | 61.5 | 27.2 |
| **GROUP REVENUES** | **217.2** | **171.3** | **26.8** |

The table above reports the breakdown of Group turnover by product: in the first quarter of 2006, cement represented 64% of sales and concrete 36% of sales - percentages which are in line with the first quarter of 2005.
Net revenues increased by 26.8% compared to the same period in 2005: the value of the cement sold increased by 26.6%, while that of concrete increased by 27.2%.

## 4. Net Financial Position

**Table D**

| *(Euro thousands)* | **31/03/2006** | **31/12/2005** | **31/03/2005** |
|---|---|---|---|
| CASH AND MARKETABLE SECURITIES | 120,895 | 129,969 | 53,067 |
| OTHER MEDIUM / LONG TERM DEBT | (246,236) | (252,085) | (90,798) |
| SHORT-TERM FINANCIAL DEBT | (299,627) | (281,423) | (293,261) |
| **NET FINANCIAL POSITION** | **(424,968)** | **(403,539)** | **(330,992)** |

Net debt as of March 31$^{st}$ 2006 was Euro 424.9 millions compared to Euro 403.5 millions as of December 31$^{st}$ 2005. Net debt, which has increased by Euro 21.4 million, includes the acquisition of the company 4K-Beton for Euro 9.5 millions and the purchase of minority shares in the Egyptian subsidiary Sinai White Portland Cement for Euro 6.6 millions, in addition to other minor investments in the period. Furthermore, the acquisition of the Edirne factory in Turkey was made with no inventory. Therefore, the factory start-up involved the use of working capital for the build-up of adequate inventory levels.
In addition, ordinary plant maintenance is normally carried out in the first part of the year because of the severe weather conditions, with the consequent cash absorption because of both the associated costs as well as lack of revenues. This is particularly true of the Danish companies which, given the nature of their operations and the typical sales cycle in their markets, produce the bulk of their cash flow in the second half of the year. The Net Financial position as of March 31, 2006 was, however, better than budgeted.

## 5. Directors' Report and subsequent events

The year 2006 began with the same levels of activity recorded at the end of 2005.. On March 2nd , Unicon completed the acquisition of the Danish company 4K-Beton, the second largest ready-mix producer in the country. As part of the same transaction, Unicon sold two Polish companies. The deal, as previously described, resulted in a total payment of Euro 9.5 millions. This acquisition significantly strengthens Cementir Group presence in the Scandinavian ready-mix market, allows for important synergies and lays the ground for further growth opportunities.

In addition, Aalborg Portland increased its holding in the Egyptian company Sinai White Portland Cement, from 45.74% to 57.14%, for a total value of Euro 6.6 millions. This deal will result in a stronger grip on the Egyptian cement market, a very important geography for the Group.

In relation to normal operations, the integration and exchange of information which began in the previous year continued and the standardisation of the procedures for the cement plant at Edirne has already been completed, whose IT Information Systems are being integrated on the SAP platform.

From an operational viewpoint, 2006 has had an excellent start; production and sales recorded growth and all the Group's markets have shown positive signs, as illustrated by the revenues and margins compared to the first quarter of 2005.

The strong operational performance and the positive developments of 2005 underpin and reinforce Group confidence on further investment opportunities, where favourable conditions may develop. No significant events occurred after the end of the first quarter. In relation to the objectives of the three-year plan, the start of 2006 strengthens management conviction and confidence of achieving these objectives. In relation to the performance for the current year, the Group expects to continue the improvement in sales and margins compared to 2005.

Rome, May 10th 2006

*For the Board of Directors*

*The Chairman*