FINTITAN S.R.L. SOCIETA' UNIPERSONALE

REPORT OF INDEPENDENT AUDITORS
AS OF DECEMBER 31, 2006

Financial statements as of December, 31 2006

Balance Sheet

(Euro)	Notes	December 31, 2006	December 31, 2005
		IFRS	**IFRS**
ASSETS			
Non-current assets			
Tangible assets	(1)	80.642	49.315
Intangible assets	(2)	9.606	3.903
Investments in subsidiaries		0	0
Other non-current assets	(3)	12.150	11.806
deferred tax assets		758	0
Total non-current assets		**103.156**	**65.024**
Current assets			
Inventories	(4)	659.151	448.137
Trade receivables	(5)	5.399.292	5.910.460
Other current assets	(6)	535.347	528.346
Receivables for current taxes	(7)	160.405	0
Cash and cash equivalents	(8)	130.147	462.207
Total current assets		**6.884.342**	**7.349.149**
Total assets		**6.987.499**	**7.414.174**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Ordinary shares		109.200	109.200
Other reserves		25.453	25.453
Retained earnings		1.034	279.479
Total Shareholder's Equity	(9)	**135.686**	**414.132**
Non-current liabilities			
Provisions for risks and charges		0	0
Retirement benefit obligation	(10)	37.686	40.597
Long term amounts owed to banks		0	0
Other non-current liabilities		0	0
Deferred tax liabilities		0	0
Total non-current liabilities		**37.686**	**40.597**
Current liabilities			
Short term amounts owed to banks			0
Trade payables	(11)	6.746.975	6.623.562
Other current liabilities	(12)	67.152	191.648
Current tax liabilities	(13)	0	144.235
Total current liabilities		**6.814.127**	**6.959.445**
Total liabilities		**6.851.812**	**7.000.042**
Total liabilities and shareholder's Equity		**6.987.499**	**7.414.174**

Income Statement

(Euro)	**Notes**	**December 31, 2006**	**December 31, 2005**
Net Sales	(14)	14.492.723	15.060.142
Cost and expenses			
Cost of sales	(15)	(12.804.658)	(12.751.285)
General and administrative expenses	(16)	(228.079)	(244.230)
Selling expenses	(17)	(1.478.617)	(1.618.519)
Extraordinary (expense) / income, net	(18)	54.154	29.552
Total costs and expenses		**(14.457.201)**	**(14.584.482)**
Operating Profit		**35.522**	**475.660**
Interest expenses, net		(5.626)	(5.456)
Income before taxes		**29.897**	**470.204**
Income taxes	(19)	(28.863)	(190.725)
Net income for the period	(20)	**1.034**	**279.479**

Statement of cash flow

(Euro)	December 31, 2006	December 31, 2005
Net profit for the year	1.033	279.479
Adjustment to reconcile net income to net cash provided by operating activity		
Amortization of intangible assets	3.407	2.321
Depreciation of tangible assets	30.427	30.902
Provision for retirement benefit	(2.911)	2.498
Other provision	0	(7.000)
Changes in operating assets and liabilities		
Inventories	(211.015)	(195.814)
Trade receivables	511.168	(607.174)
Other current assets	(7.002)	(3.202)
Receivables for current taxes	(160.405)	212.803
Trade payables	123.413	272.554
Other current liabilities	(124.497)	124.620
Current tax liabilities	(144.235)	144.235
Other non- current assets and liabilities	(1.099)	(352)
Cash flow from operating activities	**18.284**	**255.870**
Purchases of fixed assets	(61.755)	(38.072)
Purchases of intangible assets	(9.110)	(1.042)
Cash flow from investing activities	**(70.865)**	**(39.114)**
Short term amounts owed to banks		
Dividends assigned to shareholders	(279.479)	(20.478)
Cash flow from financing activities	**(279.479)**	**(20.478)**
Increase (decrease) in cash	**(332.060)**	**196.278**
Cash and cash equivalents at beginning of the year	462.207	265.929
Cash and cash equivalents at the end of the year	**130.147**	**462.207**

Statement of changes in shareholder's equity

(Euro)	**Capital Stock**	**Legal Reserve**	**Extraordinary reserve**	**Income for the period**	**Total Shareholders Equity**
Balances at December, 31 2005	109.200	21.840	3.613	279.479	**414.132**
Dividends assigned to shareholder's				(279.479)	**(279.479)**
Income for the period ended December, 31 2006				1.034	**1.034**
Balances at December, 31 2006	**109.200**	**21.840**	**3.613**	**1.034**	**135.687**

Balance sheet reconciliation between ITA GAAP and IFRS GAAP

(Euro)	Notes	December 31, 2006	Reclassification	Adjustments	December 31, 2006
		ITA GAAP	IFRS	IFRS	IFRS
ASSETS					
Non-current assets					
Tangible assets	(1)	27.087	53.555		80.642
Intangible assets	(2)	63.161	(53.555)		9.606
Investments in subsidiaries		0			0
Other non-current assets	(3)	12.150			12.150
Deferred tax assets		758			758
Total non-current assets		**103.156**	**0**	**0**	**103.156**
Current assets					
Inventories	(4)	659.151			659.151
Trade receivables	(5)	5.399.292			5.399.292
Other current assets	(6)	535.347			535.347
Receivables for current taxes	(7)	160.405			160.405
Cash and cash equivalents	(8)	130.147			130.147
Total current assets		**6.884.342**	**0**	**0**	**6.884.342**
Total assets		**6.987.499**	**0**	**0**	**6.987.499**
LIABILITIES AND SHAREHOLDER'S EQUITY					
Ordinary shares		109.200			109.200
Other reserves		25.453			25.453
Retained earnings		1.034			1.034
Total Shareholder's Equity	(9)	**135.686**	**0**	**0**	**135.686**
Non-current liabilities					
Provisions for risks and charges		0			0
Retirement benefit obligation	(10)	37.686			37.686
Long term amounts owed to banks		0			0
Other non-current liabilities		0			0
Deferred tax liabilities		0			0
Total non-current liabilities		**37.686**	**0**	**0**	**37.686**
Current liabilities					
Short term amounts owed to banks		0			0
Trade payables	(11)	6.746.975			6.746.975
Other current liabilities	(12)	67.152			67.152
Current tax liabilities	(13)	0			0
Total current liabilities		**6.814.127**	**0**	**0**	**6.814.127**
Total liabilities		**6.851.812**	**0**	**0**	**6.851.812**

Total liabilities and shareholder's Equity	**6.987.499**	**0**	**0**	**6.987.499**

Explanatory Notes to Financial statements as of December 31 2006

General information

Fintitan S.r.l. Unipersonale is a distribution terminal of Titan Cement Company S.A., which is the only stockholder from the Company.

Form and content of the financial statements

The balance sheet and income statement formats adopted are those normally utilized for international purposes and are a shortened and reclassified version of the Italian statutory financial statements.

We draw attention to the fact that the Statutory financial statements are non yet finalised. Lelal requirement allow the Company to finalise the statutory financial statements by the end of March 2007.

Changes in accounting policies

The accounting policies are the same as those adopted in the previous year. The accounting policies are those of the Titan Group (IFRS) comprising group accounting principles and disclosures. These are the same as those adopted in the previous year.

Reclassification

In order to ensure a consistent comparison of the current year income statement with that of the previous year, an amount of Euro 893 thousand has been reclassified from cost of sales to general and administrative costs and to selling costs in the income statement for the year ended 31 December 2005.

Accounting policies

Intangible assets

The intangible assets with a defined useful life are recognized at purchase or production cost and then booked net of accumulated amortization and any impairment losses determined in the same way as for property, plant and equipment. Other intangible assets with a defined useful life are amortized on a straight-line basis over their estimated useful life; their useful life is reviewed every year and any changes, where necessary, are applied from then on, not retrospectively.

The estimated useful life for each type of asset included in this category is as follows:

Software	20%

Tangible assets

Tangible assets are booked at purchase or production cost. The cost of fixed assets includes any directly attributable ancillary costs that are necessary to put the asset into operation for the use for which it was bought.
Any costs incurred after the purchase are only capitalized if they increase the future economic benefits produced by the asset in question. All other costs (including the financial charges directly attributable to the purchase or construction of the asset) are written off when incurred.

Tangible assets are shown net of accumulated depreciation and any impairment losses determined according to the methods explained below. Depreciation is calculated on straight-line basis over the estimated useful life of the assets, as follows:

Machinery and equipment	12%
Office equipment and furniture	20%
Vehicles	25%

These depreciation rates are reviewed annually and any changes, if needed, are made from then on, not retrospectively.

The book value of tangible fixed assets is checked for impairment losses if events or changes in the circumstances suggest that the book value may not be recovered. If there is an indication of this kind and the book value appears to exceed the estimated realizable value, the assets in question are written down accordingly. The realizable value of tangible fixed assets is represented by the higher of the net selling price and the value in use.

Inventories

Inventories are valued at the lower of purchase or production cost, generally determined on the basis of the "weighted average cost method", and the corresponding market or realizable value expected to be obtained from their sale in the normal run of business.
Production cost includes raw materials, direct and ancillary costs and all indirect manufacturing costs attributable to it.

The estimated realizable value is calculated taking account of any direct selling costs. Obsolete and slow-moving goods are written down according to the likelihood of them being used or sold.

Trade receivables

Trade receivables are shown at their estimated realizable value, i.e. face value net of any writedowns for expected losses.

Other current assets and receivables for current taxes

Other current assets are shown at their nominal amount. Prepaid and accrued expenses are included in other current assets and have been accounted for on an accrual basis.

Cash and cash equivalents

Cash and cash equivalents include all types of ready money, which can be cashed immediately or in the very short term, without risk or expense.

Retirement benefit obligation

TFR is deferred compensation for workers, employees and managers, based on their years of service. The TFR liability vests, and is paid immediately upon termination of the employee, or in the event of an employee's death TFR is collected by the heirs. For each year of service the TFR accrual is one month salary (approximately $1/13{,}5^{th}$ of the yearly remuneration).
The prior year TFR obligation is subject to annual revaluation based on the Italian cost of living index (75% of ISTAT index plus 1,5%). TFR is generally reported net of advance payments. TFR is usually a long-term liability and generally unfunded.

Trade payables

Payables are stated at face value.

Other current liabilities and tax liabilities

Other current liabilities and tax liabilities are stated at face value.

Revenue recognition

Revenues are recognized to the extent that it is possible to determine their fair value and it is reasonably probable that the economic benefits of such revenues will be enjoyed.

Revenues are recognized on the basis of the following specific criteria depending on the type of transaction:

- Revenues from the sale of goods are recognized when the main risks and benefits of ownership of the assets have been transferred to the buyer;
- Revenues from the provision of services are recognized according to the stage of completion. If it is impossible to determine the amount of the revenues, they are recognized up to the amount of the costs incurred and to the extent that they are expected to be recovered.

Interest

Interest income and expense are recognized on an accrual basis according the interest accruing on the net value of the related financial assets and liabilities using the effective interest rate.

Taxes

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

Deferred tax liabilities are calculated on all taxable temporary differences between the balance sheet figures shown in the financial statements and the equivalent amounts recognized for tax purposes.

Deferred tax assets are recognized on all deductible temporary differences and on all tax losses carried forward, to the extent that there will probably be sufficient taxable income in the future to offset against them.

The recoverability of deferred tax assets is reviewed at the end of each period and reduced to the extent that it is no longer probable that there will be sufficient taxable income in the future to offset all or part of the tax credit. Unrecognized deferred tax assets are reviewed annually at the balance sheet date and recognized to the extent that there will probably be sufficient taxable income to offset them.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to be applicable when the asset is realized and the liability extinguished, using the tax rates and regulations in force at the balance sheet date.

Comments on the principal captions in the balance sheet

1. Tangible assets

(Euro)	December, 31 2006	December, 31 2005
Furniture and fixtures	11.840	26.173
Machinery and equipment	15.248	9.343
Improvement on tangible assets owed by third parties	53.554	13.799
Total tangible assets	**80.642**	**49.315**

The following table summarizes the changes in property, plant and equipment that took place during 2006.
Breakdown of fixed assets cost:

FIXED ASSETS CATEGORY	January, 1 06	Additions	Reclassification	Sales	December, 31 2006
Machinery and equipment	1.807.641	3.035	8.512		1.819.188
Transportation equipment	78.109				78.109
Furniture & fixtures	99.153	2.419	- 8.512		93.060
Improvement on tangible assets owed by third parties	291.687	56.300			347.987
Total	**2.276.590**	**61.754**	**-**	**-**	**2.338.344**

Breakdown of fixed assets depreciation:

FIXED ASSETS CATEGORY	January, 1 06	Depreciat.	Reduct.	December, 31 2006
Machinery and equipment	1.798.298	5.642	0	1.803.941
Transportation equipment	78.109		0	78.109
Furniture & fixtures	72.980	8.240	0	81.220
Improvement on tangible assets owed by third parties	277.887	16.545	0	294.432
Total	**2.227.275**	**30.427**	**0**	**2.257.702**

The principal increase during the year refer to the cost sustained for the restoration of the building due to the damage.
Related to this damage the Company will receive a insurance reimbursement (see “other current assets”).
We bring to your attention that the Company has posted into income statement the whole amount of the reimbursement, instead of defer the amount related to the costs capitalized.
Had the company deferred such reimbursement, the extraordinary income were less of Euro 36 thousand.

2. Intangible assets

(Euro)	January 1, 2006	Additions	Depreciation	December 31, 2006
Software	2.110	9.111	-3.019	8.201
Other	1.793	-	-388	1.405
Total intangible assets	**3.903**	**9.111**	**-3.407**	**9.606**

The intangibles mainly refer to software cost amortized over a period of 5 years.

3. Other non current assets

(Euro)	December, 31 2006	December, 31 2005
VAT receivables relating Fintitan GEIE	12.150	11.806
Total other non current assets	**12.150**	**11.806**

Long term receivables include VAT receivable relating to former Fintitan GEIE (a former Fintitan Company prior to the 1999 merge) to be reimbursed by the Government. This amount matures interest.

4. Inventories

(Euro)	December, 31 2006	December, 31 2005
Stock in hand	687.537	470.366
Provision for obsolescence	(28.386)	(22.229)
Total inventories	**659.151**	**448.137**

Inventories are evaluated on an average cost basis.
The increase in value compared to prior year is due to the combined effect on increase in quantity (12.165 ton in 2006, 9.304 ton in 2005) and a increase in prices (Euro 54,29 / ton in 2006 and Euro 50,56 / ton in 2005).

Provision for obsolescence refers to cement, which is non longer saleable due to physical deterioration.

5. Trade receivables

(Euro)	December, 31 2006	December, 31 2005
Trade receivables	5.504.882	6.016.050
Provision for doubtful account	(105.590)	(105.590)
Total trade receivables	**5.399.292**	**5.910.460**

Trade receivables are decreased compared to prior year, due to the effect of sales quantity decrease (236.232 tons in 2006 and 251.726 tons in 2005).

The provision for doubtful account amount to Euro 106 thousand, as in prior year. The provision is considered to be adequate to cover potential risks for bad debts. During the year the provision was not utilized and at year end an accrual of some 19.379 Euro was made only for tax purposes (not included in income statement), as the management believe that the provision reflected in balance sheet is still correct.

6. Other current assets

(Euro)	December, 31 2006	December, 31 2005
Prepayments	471.153	516.000
Insurance receivables	45.108	0
VAT receivables	5.944	0
Accrued income	0	1.957
Other	13.141	10.389
Total other current assets	**535.347**	**528.346**

Prepayments represents the amount for the reneval of the building lease contract paid during 2004. The new lease contract began on January 1 2006 and expires on December 31,2015. The cost paid in 2004 was therefore deferred as prepayments and are charged to income statement in accordance with the year of residual life of the lease contract.

The “insurance receivables” are amount due from the insurance company and are linked to maintenance cost capitalized as improvement on tangible assets owed by third parties (building on lease).
Last year the VAT amount was included into other current liabilities. This year the company has VAT receivables.

7. Receivables for current taxes

(Euro)	December, 31 2006	December, 31 2005
IRES	139.267	0
IRAP	21.138	0
Total receivables for current taxes	**160.405**	**0**

Last year taxation was a current payable.

8. Cash and cash equivalents

(Euro)	December, 31 2006	December, 31 2005
Cash on hand	767	255
Bank accounts	129.380	461.952
Total receivables for cash and cash equivalents	**130.147**	**462.207**

There are no restrictions over the use of both cash and bank accounts. Bank accounts include money deposited with financial institution that can be withdrawn without notice.

9. Shareholder's Equity

The table below show the reconciliation for December 31 2006 between the equity as per reporting package and the equity as per statutory report:

(Euro)	December 31, 2005
Equity per reporting Package	465.578
Decrease in Extraordinary income	(51.446)
Equity per statutory report	**414.132**

In the statutory income statement the extraordinary income was reduced for Euro 51 thousand due to a tax indemnity relating IRPEG/ILOR 1992 collected during 2006, that was already collected in prior years.

10. Retirement benefit obligation

(Euro)	December, 31 2006	December, 31 2005
Initial balance	40.597	38.099
Amount charged to income statement	13.005	15.774
Amount paid	(10.311)	(13.276)
Amount reversed to extraordinary income	(5.605)	0
Total retirement benefit obligation	**37.686**	**40.597**

The amount shown as retirement benefit obligation (TFR) is not compliant with IAS 19 requirements.
The amount is defined according to Italian law.
The table below states the number of employees for the year 2006 and 2005:

	December 31, 2006	December 31, 2005
Workers	4	5
Employees	3	3
Managing director	1	1
	8	**9**

11. Trade payables

(Euro)	December, 31 2006	December, 31 2005
Trade payables from third parties	214.819	249.020
Trade payables Titan Cement S.A.	6.532.156	6.374.542
Total trade payables	**6.746.975**	**6.623.562**

The payables due to Titan Cement Company SA are to be considered as related party transactions that are based on conditions agreed among themselves.

12. Other current liabilities

(Euro)	December, 31 2006	December, 31 2005
VAT Payables	0	52.688
Payables regarding extraordinary income	0	51.446
Salaries and wages payable	38.091	50.049
Social security contributions payable	24.463	32.862
Other	4.598	4.603
Total other current liabilities	**67.152**	**191.648**

During 2005 the Company has booked a liabilities of Euro 51.646 for an amount collected from Government, but still collected in prior years (see also Equity reconciliation).
The VAT payables represent the net VAT position at year end according to Italian fiscal regulation.
The decrease in other current liabilities relates mainly to decrease in VAT payables (at December, 31 2006 the company has a receivable) and in payable regarding extraordinary income.

13. Current tax liabilities

(Euro)	December, 31 2006	December, 31 2005
IRES	0	144.538
IRAP	0	(303)
Total current tax liabilities	**0**	**144.235**

At December, 31 2006 the Company has receivables for current taxes, due to tax paid in advance during 2006 (because of the earnings realized in 2005).
The years since 2001 (since 2002 for VAT purposes) are open for examination by fiscal authorities.
Tax rates adopted to calculate IRES (corporate tax on income) and IRAP (regional tax on “added value”) are 33% and 4,25% respectively.

Comments on the principal captions in the income statement

14. Net sales

Net sales decreased compared to prior year, primarily due to the decrease in the quantity sold (236.232 tons in 2006 and 251.726 tons in 2005) (-6,2%).

15. Cost of goods sold

The balance is composed as follows

(Euro)	December, 31 2006	December, 31 2005
Merchandise	12.833.658	12.790.665
Insurance	28.907	29.384
Taxes and duty	153.107	127.050
Beginning inventory	448.137	252.323
Ending inventory	(659.151)	(448.137)
Total cost of sales	**12.804.658**	**12.751.285**

The indirect cost attributable to the cost of sales are insurance cost and taxes and duty costs.
All the amount included in “merchandise” was acquired from Titan Cement Company SA and is therefore to be considered as a related pary transaction.
We point your attention on the reclassification made in cost of goods sold regarding year 2005, in order to ascertain the comparability with the present year.

16. General and administrative expenses

(Euro)	Breakdown	December 31, 2006	December 31, 2005
General and administrative expenses	Amortization of intangible	19.952	10.282
	Depreciation of tangible	8.240	8.342
	Cleaning expenses	5.707	5.899
	Energy, gas & water	4.129	4.420
	Insurance	8.424	8.981
	Other advice	5.130	5.314
	Other expenses	9.885	6.556
	Other operating charges	11.073	7.910
	Phone expenses	12.122	8.886
	General manager	30.920	61.894
	Provision for retirement benefit	6.188	5.425
	Refectory costs	2.641	2.695
	Salaries	52.094	57.451
	Social security on salaries	15.922	17.219
	Auditors, legal	35.654	32.955
General and administrative expenses Total		**228.079**	**244.230**

17. Selling expenses

(Euro)	Breakdown	December 31, 2006	December 31, 2005
Selling expenses	Allowance for doubtful debtors	-	9.196
	Depreciation of tangible	5.642	13.766
	Energy, gas & water	40.674	41.798
	Fuel costs	30.550	23.416
	Insurance	52.948	49.625
	Maintenance	34.740	29.011
	Other advice	12.143	15.860
	Other expenses	12.471	23.474
	Other rental	12.147	11.059
	Petty consumable material	6.547	9.698
	Presents costs	2.296	4.468
	Technical advise	33.263	40.295
	Transportation	259.529	366.198
	Trip costs	5.231	4.379
	General manager	33.878	63.871
	Provision for retirement benefit	6.817	7.750
	Refectory costs	6.603	6.468
	Rental	735.577	683.977
	Selling salaries	25.118	28.393
	Social security on selling salaries	8.348	8.358
	Social security on wages	32.630	44.357
	Wages	121.467	133.103
Selling expenses Total		**1.478.617**	**1.618.519**

18. Extraordinary income / expenses

(Euro)	December, 31 2006	December, 31 2005
Extraordinary income	56.725	29.917
Extraordinary expenses	(2.571)	(365)
Total extraordinary income / expenses	**54.154**	**29.552**

The extraordinary income for 2006 relates mainly to insurance reimbursement (see note in tangible assets).

19. Income taxes

(Euro)	December 31, 2006	December 31, 2005
Irap	16.467	37.572
Ires	13.214	153.153
	29.681	**190.725**
Deferred tax assets Irap	(93)	
Deferred tax assets Ires	(725)	
	(818)	**0**
Income taxes, total	**28.863**	**190.725**

20. Income for the period

(Euro)	December, 31 2006	December, 31 2005
Income	1.034	279.479
Total income	**1.034**	**279.479**

The decrease in net income is mainly due to a decrease in net sales.

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