

TRANSITION TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

(Document under review, in progress, by independent auditors)

In 2002, the European Union adopted regulation no. 1606 based on which companies whose securities are traded on the regulated markets of one EU Member State are required as of 2005 to report consolidated financial statements in accordance with the international financial reporting standards (IFRS). As a result, Italcementi S.p.A. consolidated financial statement in 2005 will be drawn up in accordance with IFRS which entail, among other things, redaction of comparative 2004 financial statements, reported using these same standards.

On the basis of resolution n° 14990 of 14 April 2005 by which the CONSOB made the modifications and integrations to regulation no. 11971 of 14 May 1999, the Group has taken advantage of the option to publish its consolidated interim reports, starting from 1 January 2005, in compliance with IFRS. Therefore, the first quarter 2005 report includes a reconciliation statement (as required under IFRS 1) of the starting and ending shareholders' equity in the 2004 financial year, as well as the economic results of this period and the relevant adjustments made to the cash flow statement.

The information contained in this note was approved by the Board of Directors of Italcementi S.p.A. during its meeting on 4 May 2005 and is subject to verification by the independent auditors which are currently performing auditing activities (comprehensive audit) on the data resulting from the transition process.

We should note that to the extent to which the financial statements for the year ended 31 December 2005 have to be prepared based on IFRS standards and interpretations in force at that date, it is quite possible that the financial information and impact of the financial year 2004, compared to the 2005 financial statements, may be different from those given in this document, prepared in accordance with the standards and interpretations existing to date.

Standards used for First Time Adoption (FTA) of IFRS as of 1 January 2004

The standards applied for FTA are those contained in the EC regulations no. 1725/2003 of 29 September 2003, no. 707/2004 of 6 April 2004, no. 2236/2004, no. 2237/2004 (except for IAS 32) and no. 2238/2004 of 29 December 2004.

In the transition period to the new standards, the Group has decided to adopt in advance standard IFRS 2 (Share-based payments), endorsed by the European Commission on 7 February 2005.

The Group has also decided to prepare the 2004 comparative financial statements without

applying standard IAS 32 (Financial Instruments: Disclosure and Presentation) and IAS 39 (Financial Instruments: Recognition and Measurement). The Group will adopt these standards, as endorsed by the European Union, starting as of 1 January 2005.

Options adopted by the Group in application of the IFRS

As regards the optional application contained in certain IFRS, the main decisions made by the Group are represented briefly below.

IAS 1 Presentation of Financial Statements:

- for the balance sheet, current and non-current assets and current and non-current liabilities are stated separately;
- for the income statement, the expenses analysis is made based on the nature of the expenses;
- for the cash-flow statement, the Group retained the indirect method whereby profit or loss of the period is adjusted by (a) the effects of any non-cash transactions, (b) any deferral or accrual of past or future operating cash receipts or payments, and (c) items of income or expense associated with investing or financing cash flows.

IAS 2 Inventories: the cost of inventories is calculated using the weighted averaged formula.

IAS 14 Segment Reporting: as before, the primary basis for segment reporting is the geographical area, based on location of the assets, while the secondary basis is represented by the business.

IAS 16 Property, Plant and Equipment and IAS 40 Investment Property: the valuation subsequent to the initial recognition is made based on the cost method.

IAS 19 Employee Benefits: the "corridor" method was used by the Group. This method allows to recognize and amortize only actuarial gains and losses in excess of 10% limit of greater of the defined benefit obligation or the fair value of the plan asset.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance: government grants related to depreciable assets are represented as deferred revenues and recognized as income over the period and in the proportion in which depreciation on these assets is charged.

IAS 23 Borrowing Costs: borrowing costs, when related to the purchase, construction or production of an asset, are booked as an expense in the period in which they are incurred.

IAS 31 Financial Reporting of interests in joint ventures: the accounting criteria and presentation is the proportionate method.

Options relating to FTA

Based on the matters provided by IFRS 1 (First Time Adoption), the Group has retained

the options described below.

Employee Benefits: actuarial gains and losses accumulated from the start of the plans until the transition date to IFRS are fully recognized to shareholders' equity.

Differences from exchange rate conversion: cumulative exchange rate differences for all foreign operations were presumed to be equal to zero at FTA date.

Business Combinations: IFRS 3 was not applied retrospectively for business combinations occurred before 1 January 2004.

Property, Plant, Equipment and Investment Property: option of measuring assets at fair value was not used.

Reclassification of balance sheet (1 January 2004 and 31 December 2004) and income statement (financial year 2004)

Concerning consolidated financial statements, the primary differences between the Italcementi Group balance sheet and income statement drawn up in observance of Leg. Decree no. 127/91, and the scheme adopted for the application of the new IFRSs are given in the notes at the end of the reconciliation statements presented in the following pages:

- (i) Balance sheet at the date of First Time Adoption, namely at 1 January 2004
- (ii) Income Statement of the financial year ended as of 31 December 2004
- (III) Balance Sheet as of 31 December 2004

These notes also specify other reclassifications, not directly connected to the implementation of IFRS, but deriving from a finer integration with management representation reports.

Primary differences between previous accounting standards and IFRS

- **Inventories Cost Formulas:** in compliance with IAS 2, the LIFO method, where applied, was discontinued in favour of the weighted average cost method.
- **Property, Plant and Equipment:** the Group has adopted IAS 16 which requires that each part of PP&E with a significant cost in relation to the total cost of the item shall be depreciated separately.
- **Business Combinations and Impairment of Assets:** in application of IFRS 3, goodwill is no longer subject to amortization but is subject, at least annually, to a test of impairment. Tests were made in compliance with IAS 36, Impairment of Assets, whose methods differ from those previously applied by the Group.
- **Employee Benefits:** the valuation and accounting methods of some of these benefits, based on IAS 19, differ from those previously applied by the Group.
- **Financial Reporting in Hyperinflationary Economies (Turkey):** the accounts of

the Turkish subsidiaries had been previously reported in Euro, based on the historical exchange rate method. According to IAS 29, the values must now be reported in local currency, adjusted for the effects of inflation and subsequently consolidated according to exchange rate at period-end.

- **Deferred Tax:** unlike the standards previously used by the Group, deferred taxes are presently recognized for companies operating in hyperinflationary economies (Turkey).

Evidence of main impacts in the financial statements related to the transition to IFRS is given in the notes.

Impact of the Transition to IFRS on the consolidated accounts

	Notes	Shareholders' equity 1 January 2004	Net income (loss) 2004	Shareholder's equity 31 December 2004
According to previous accounting standards:		2,825.3	394.4	3,034.4
IAS 2 Change in Cost Formula: weighted average vs. LIFO	1	28.6	2.9	31.4
IAS 38 Recognition of Intangible Assets and related lower amortization	2	(5.1)	1.7	(2.0)
IAS 36 – IFRS 3 Amortization of goodwill	3	(4.3)	62.1	56.0
IAS 19 Employee Benefits: change in defined benefit plans calculation	4	(30.1)	1.3	(28.1)
IAS 12 -Deferred tax assets on Investment Property	5(a)	4.1	(4.1)	-
-Deferred tax recognition in Turkey	5(b)	(16.5)	(3.6)	(21.8)
IAS 16 Write-off of capitalized maintenance and capitalized Borrowing Costs, Components approach and review of useful lives	6	(6.8)	11.6	4.4
IAS 37 Recognition of Contingent Liabilities and Present Value calculation	7	4.6	(0.4)	4.2
IAS 29 Financial Reporting in Hyperinflationary Economies (Turkey)	8	(1.3)	0.4	10.9
IFRS 2 Share-based Payment (Stock Option)	9	-	(1.2)	-
Others	10	0.1	0.2	0.7
According to IFRS:		2,798.6	465.3	3,090.1
change		(26.7)	70.9	55.7

in millions of euro

IFRS impact on Group's 2004 Main economical, financial and equity figures

in millions of euro

	Notes	2004 previous standards*	Total impact of IFRS	2004 IFRS
Revenues	(a)	4,527.8	(0.3)	4,527.5
Gross operating profit	(b)	1,098.4	(2.2)	1,096.2
Operating profit	(b)	714.5	74.0	788.5
Net profit	(c)	394.4	70.9	465.3
Group share of net profit	(c)	292.5	58.4	350.9
As of 31 December 2004				
Total shareholders' equity	(d)	3,034.4	55.7	3,090.1
Group share of shareholders' equity	(d)	2,340.4	58.1	2,398.5
Net financial debt	(e)	1,537.5	31.7	1,569.2

* Official figures as published in 2004 Annual Report

(a) The difference is due to the change in the accounting treatment of group's companies operating in Turkey - based on IAS 29 - and to the change in the consolidation area.

(b) The main effects on the operating profit are due to:

- ending of goodwill amortization and to lesser depreciation of tangible assets
- reclassification of extraordinary income/expenses in the relevant expense and revenue items
- reduction of the operating profit of the Turkish companies in application of IAS 29

(c) Main changes to net profit, in addition to what described above, are due to a heavier impact of deferred taxes.

(d) The increase of shareholders' equity, total and Group's share, is due to the increase in the 2004 result according to IFRS, net of exchange rate conversion differences.

(e) The change mainly refers to net T.S.D.I. (perpetual subordinated notes) equal to 22.5 million euro and recognition of financial lease contracts.

Reconciliation statements 2004

Changes in each item of balance sheet and income statement refer to the application of many IFRSs, some of which only had a marginal effect. The notes describe the standards which impacted the most on group's financial statements.

(i) Reconciliation of opening balance sheet as of 1 January 2004

in millions of euro

BALANCE SHEET	Notes	Previous standards according to IFRS format	Total changes	IFRS
NON CURRENT ASSETS				
Property, plant and equipment and Investment Property	6-10 (a)	2,876.0	6.1	2,882.1
Goodwill	3	1,168.9	(5.4)	1,163.5
Intangible assets	2	53.9	(7.1)	46.8
Investments in associates	10 (b)	259.7	(2.6)	257.1
Available for sale investments		181.5	(0.1)	181.4
Receivables and other non-current assets	4	369.0	(26.7)	342.3
Deferred tax assets	5(a)	22.7	6.6	29.3
TOTAL NON CURRENT ASSETS		4,931.7	(29.2)	4,902.5
CURRENT ASSETS				
Inventories	1	446.6	44.0	490.6
Trade receivables		982.9	0.7	983.6
Other current assets		222.7	(1.6)	221.1
Income tax assets		39.8	0.1	39.9
Investments and financial receivables		6.7	-	6.7
Cash and cash equivalents		234.3	-	234.3
TOTAL CURRENT ASSETS		1,933.0	43.2	1,976.2
TOTAL ASSETS		6,864.7	14.0	6,878.7
SHAREHOLDERS' EQUITY				
Share capital		282.5	-	282.5
Reserves	11	291.2	53.7	344.9
Retained earnings	11	1,612.1	(61.8)	1,550.3
Total		2,185.8	(8.1)	2,177.7
Minority interests		639.5	(18.6)	620.9
TOTAL SHAREHOLDERS' EQUITY		2,825.3	(26.7)	2,798.6
NON CURRENT LIABILITIES				
Interest-bearing loans and short term borrowings	10 (a)	1,721.0	7.7	1,728.7
Employee benefits liabilities	4	162.3	30.2	192.5
Provisions	4 - 7	205.4	(13.3)	192.1
Deferred tax liabilities	5(a)-(b)	285.4	13.4	298.8
TOTAL NON CURRENT LIABILITIES		2,374.1	38.0	2,412.1

BALANCE SHEET	Notes	Previous standards according to IFRS format	Total changes	Values according to IFRS
CURRENT LIABILITIES				
Banks overdrafts and short-term borrowings		397.8	0.1	397.9
Interest-bearing loans and short term borrowings	10(a)	243.9	1.6	245.5
Trade payables		617.1	1.7	618.8
Provisions		1.4	-	1.4
Income tax liabilities		36.0	-	36.0
Other liabilities		369.1	(0.7)	368.4
TOTAL CURRENT LIABILITIES		1,665.3	2.7	1,668.0
TOTAL LIABILITIES		4,039.4	40.7	4,080.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,864.7	14.0	6,878.7

Main reclassifications to the 2004 opening balance sheet "Previous standards according to IFRS format"

Goodwill (17.5 million euro) and "Consolidation differences" (1,151.4 million euro) for IFRS purposes are classified in a single entry named "Goodwill".

"Leasehold improvements" (6.4 million euro) and "Multi-annual quarry charges" (28.0 million euro) were reclassified from "Start-up and expansion costs" (intangible fixed assets) to "Property, plant and equipment".

"Costs for new loans and mortgages" (0.4 million euro) were reclassified from "Start-up and expansion costs" to "Interest-bearing loans, borrowings and others" current and non current.

Mutual fund units (89.9 million euro), shown under previous standards as other securities in "Financial assets not held as fixed assets", were reclassified to "Cash and cash equivalents".

"Perpetual subordinated notes - T.S.D.I." (324.6 million euro), previously classified separately in both equity and debts were reclassified to non-current "Interest-bearing loans, borrowings and others".

(ii) Reconciliation of 2004 income statement

in millions of euro

INCOME STATEMENT	Notes	Previous standards according to IFRS format	Total changes	IFRS
REVENUES		4,527.8	(0.3)	4,527.5
Other revenue	8-10(b)	41.4	0.6	42.0
Changes in inventories	1-8	(3.5)	1.3	(2.2)
Internal work capitalized		13.5	-	13.5
Goods and utilities expense	1-8	(1,466.3)	5.2	(1,461.1)
Service expense		(1,128.5)	1.0	(1,127.5)
Employee benefit expense	4-9	(777.4)	1.3	(776.1)
Other operating income/(expense)		(118.2)	0.6	(117.6)
Other income and expenses	8	4.2	(6.5)	(2.3)
GROSS OPERATING PROFIT		1,093.0	3.2	1,096.2
Amortization and depreciation	2-6-10(a)	(323.3)	17.5	(305.8)
Impairment variation	3	(62.0)	60.1	(1.9)
OPERATING PROFIT		707.7	80.8	788.5
Finance costs, net	7-8	(86.4)	4.9	(81.5)
Share of result of associates	3	15.7	4.3	20.0
PROFIT BEFORE TAXES		637.0	90.0	727.0
Income taxes expense	5 (a)-(b)	(242.6)	(19.1)	(261.7)
NET PROFIT		394.4	70.9	465.3
<i>Of which:</i>				
Group net profit		292.5	58.4	350.9
Minority interests		101.9	12.5	114.4

Main reclassifications to 2004 income statement "Previous standards according to IFRS format"

Extraordinary income and expenses, whose existence is no longer allowed in the IFRS format, were reclassified by nature with an impact of -6.8 million euro on operating profit, -2.8 million euro on "Finance costs" and 5.3 million euro on "Income taxes expense".

Other reclassifications, not strictly related to introduction of IFRS, but deriving from finer integration with management internal reporting, principally concern, transfer of costs from "Service expense" to either "Goods and utilities expense" (297.4 million euro for electricity, water and gas) or "Employee benefits expense" (57.2 million euro for travelling expenses, temporary personnel and training); "Service costs" also include rental costs (78.5 million euro).

(III) Reconciliation of balance sheet as of 31 December 2004*in millions of euro*

BALANCE SHEET	Notes	Previous standards according to IFRS format	Total changes	IFRS
NON CURRENT ASSETS				
Property, plant and equipment and Investment Property	6 –10(a)	2,855.7	32.8	2,888.5
Goodwill	3	1,100.4	53.2	1,153.6
Intangible assets	2	46.5	(4.7)	41.8
Investments in associates	10 (b)	289.4	1.4	290.8
Available for sale investments		189.2	-	189.2
Receivables and other non-current assets	4	383.3	(24.2)	359.1
Deferred tax assets	5(b)	29.9	3.0	32.9
TOTAL NON CURRENT ASSETS		4,894.4	61.5	4,955.9
CURRENT ASSETS				
Inventories	1	466.8	51.9	518.7
Trade receivables		1,008.2	0.4	1,008.6
Other current assets		230.9	(0.9)	230.0
Income tax assets		10.2	4.3	14.5
Investments and financial receivables		4.1	(0.2)	3.9
Cash and cash equivalents		266.2	-	266.2
TOTAL CURRENT ASSETS		1,986.4	55.5	2,041.9
TOTAL ASSETS		6,880.8	117.0	6,997.8
SHAREHOLDERS' EQUITY				
Share capital		282.5	-	282.5
Reserves	11	248.1	61.0	309.1
Retained earnings	11	1,809.8	(2.9)	1,806.9
Total		2,340.4	58.1	2,398.5
Minority interests		694.0	(2.4)	691.6
TOTAL SHAREHOLDERS' EQUITY		3,034.4	55.7	3,090.1
NON CURRENT LIABILITIES				
Interest-bearing loans and short term borrowings	10(a)	1,718.5	7.6	1,726.1
Employee benefits liabilities	4	174.3	19.9	194.2
Provisions	4 - 7	220.1	(7.0)	213.1
Deferred tax liabilities	5 (a)-(b)	291.9	31.9	323.8
TOTAL NON CURRENT LIABILITIES		2,404.8	52.4	2,457.2

BALANCE SHEET	Notes	Previous standards according to IFRS format	Total changes	Values according to IFRS
CURRENT LIABILITIES				
Banks overdrafts and short-term borrowings		303.1	-	303.1
Interest-bearing loans and short term borrowings	10 (a)	109.9	1.4	111.3
Trade payables		648.0	1.2	649.2
Provisions		1.8	-	1.8
Income tax liabilities		34.9	4.4	39.3
Other liabilities		343.9	1.9	345.8
TOTAL CURRENT LIABILITIES		1,441.6	8.9	1,450.5
TOTAL LIABILITIES		3,846.4	61.3	3,907.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,880.8	117.0	6,997.8

Main reclassifications to the 2004 year-end balance sheet "Previous standards according to IFRS format"

"Goodwill" (13.8 million euro) and "Consolidation differences" (1,086.6 million euro) for IFRS purposes are classified in a single entry called "Goodwill".

"Leasehold improvements" (6.9 million euro) and the "Multi-annual quarry charges" (25.3 million euro) were reclassified from "Start-up and expansion costs" (intangible fixed assets) to "Property, plant and equipment".

"Costs for new loans and mortgages" (0.3 million euro) were reclassified from "Start-up and expansion costs" to "Interest-bearing loans, borrowings and others" current and non current.

Mutual fund units (123.1 million euro), shown under previous standards as other securities in "Financial assets not held as fixed assets", were reclassified to "Cash and cash equivalents".

"Perpetual subordinated notes - T.S.D.I." (324.6 million euro), previously classified separately in both equity and debts were reclassified to non-current "Interest-bearing loans, borrowings and others".

Value adjustments made to the cash flow statement for 2004 financial statements

Italcementi S.p.A. already used, on the basis of previous accounting standards, the indirect method to represent its consolidated cash flow statement.

The only relevant impact arises from the change in defining cash and cash equivalents, which has led to inclusion in the line "Cash and cash equivalents" of investments readily convertible into cash, subject to an irrelevant risk of value change and with maturity date not later than three months after the date of purchase.

Based on the new IFRS definition, "Cash and cash equivalents" increased by 89.9 million euro (from 144.4 million euro to 234.3 million euro) at FTA date and by 123.1 million euro (from 143.1 million euro to 266.2 million euro) at 31 December 2004. These increases relate to the inclusion of mutual fund units, classified under previous standards as other securities in "Financial assets not held as fixed assets". The above reclassification had no impact on the balance of net financial debt.

Notes

(1) IAS 2 inventories

The change refers primarily to Italcementi S.p.A., which previously had valued most of its inventory categories using the LIFO method (no longer allowed under IFRS) and now uses the weighted average cost method. The change in the valuation method has raised the value of the inventories by 44.0 million euro at 1 January 2004 with a positive impact of 28.6 million euro on opening shareholders' equity, net of 15.4 million euro in deferred taxation. The 2004 impact was positive and amounted to 2.9 million euro on the result and 31.4 million euro on ending shareholders' equity.

(2) IAS 38 Intangible assets

Some assets (multi-annual charges), classified as intangible assets but not meeting the recognition criteria established under IAS 38, have been written-off. The write-offs totalled 7.1 million euro as of 1 January 2004, with a negative impact on shareholders' equity of 5.1 million euro after an effect on deferred tax assets of 2.0 million euro. The positive impact on 2004 result, due to lesser amortizations, totalled 1.7 million euro.

(3) IAS 36 Impairment of Assets – IFRS 3 Business Combinations

On the basis of IFRS 3, goodwill is no longer subject to amortization but is tested for impairment at least annually.

As of 1 January 2004 and as of 31 December 2004 following IAS 36, the Group carried out appropriate impairment tests on all its cash generating units (CGU) to which goodwill was allocated.

These tests were made by discounting the estimated cash flows expected from each individual CGU or, where available, using the market value relating to recent transactions of comparable businesses. Under the estimated future cash flows approach, the discount rate was determined for each country where the Group operates, according to the WACC (weighted average cost of capital) method.

The tests described above have not given rise to any impairment of opening shareholders' equity as of 1 January 2004 nor on 2004 financial results. Nevertheless, the Group wrote-off the value of a plurality of residual goodwills with a negative impact of 4.3 million euro.

The annulment of goodwill amortization has generated a positive effect of 62.1 million euro in 2004 financial results.

(4) IAS 19 Employee benefits

The valuation of defined benefit plans and other employee benefits has been carried-on with the support of an international firm specialized in actuarial calculations.

IFRS impact on the balance sheet for FTA as of 1 January 2004 can be summarized as follows:

in millions of euro

Non current deferred tax assets	0.3
Receivables and other non-current assets	(26.6)
Other current assets	(0.3)
TOTAL ASSETS	(26.6)
Employee benefits liabilities	30.2
Non current provisions	(6.4)
Deferred tax liabilities	(18.9)
Other current liabilities	(1.4)
TOTAL LIABILITIES	3.5
SHAREHOLDERS' EQUITY	(30.1)

The change in shareholders' equity is due to the negative impact of foreign companies' plans combined with a slightly positive impact of Italian companies' plans.

The decrease in the entry "Receivables and other non-current assets" refers primarily to booking actuarial differences not amortized as of 1 January 2004 (25.8 million euro).

The increase in the entry "Employee benefits liabilities", related to the decrease in non-current reserves and other current assets, is due to (a) changes to the calculation method of several plans valued in compliance with IAS 19 according to the "projected unit credit method", (b) a review of some actuarial assumptions and (c) the way of allocating deferred elements, with an overall negative effect of 23.6 million euro.

Deferred tax liabilities referring to the aforementioned entries had an overall positive effect of 19.2 million euro.

As of 31 December 2004, the impact of IAS 19 on shareholders' equity is reduced to 28.1 million euro.

(5) Income taxes

(5a) As of 1 January 2004, deferred tax assets of 4.1 million euro were activated with reference to taxed accumulated depreciation on investment properties owned by Italcementi S.p.A.. Reporting these taxes in the consolidated financial statements (prepared under previous accounting standards), has caused an equivalent negative

effect on 2004 IFRS results with an offset of the impact on IFRS shareholders' equity as of 31 December 2004.

(5b) As of 1 January 2004, deferred tax liabilities were posted (16.5 million euro) in relation to Group companies operating in Turkey. As of 31 December 2004, recognition of the same deferred tax liabilities has caused a negative effect of 21.8 million euro on shareholders' equity.

(6) Property, plant and equipment

The Group, in agreement with the rules established by IAS 16 and in accordance with its historical data, has defined criteria and methods for determining the expected useful lives of its items of property, plant and equipment. These criteria are based on new a structure of the assets "by components".

The application of the component approach led to the write-off of the value related to maintenance costs, previously capitalized. The negative impact as of 1 January 2004 on shareholders' equity was equal to 4.1 million euro.

As already anticipated, the Group chose to recognize borrowing costs related to the acquisition/construction of items of property, plant and equipment as charges during the period in which they incurred. As of 1 January 2004, the resulting write-off of the value of borrowing costs, previously capitalized, led to a negative impact on shareholders' equity of 2.7 million euro, net of deferred tax.

The component approach, the review of the useful lives and of the effects the elimination of capitalized maintenance and borrowing costs, determined a positive impact equal to 11.6 million euro on 2004 profit and to 4.4 million euro on ending shareholders' equity.

(7) Provisions, Contingent Liabilities and Contingent Assets

In compliance with IAS 37, provisions for long term risks for which it is possible to reasonably estimate the future cost and the respective date of disbursement were measured at discounted present value in order to attribute a current value to these future liabilities. These provisions refer mainly to provisions for quarries restorations.

The effects arising from changes in the discount rate are accounted in the income statement as "Finance costs" (-1.0 million euro).

As of 1 January 2004, the discount of the provisions, together with the reversal of potential liabilities, has led to an increase in shareholders' equity of 4.6 million euro, net of deferred taxes of 2.7 million euro.

The impact on 2004 profit was negative by 0.4 million euro.

(8) Financial reporting in hyperinflationary economies

Based on the standards previously applied, the financial statements of Group's companies operating in Turkey were converted into Euro using the historical rate method. The basic principle in IAS 29 is that the financial statements must be reported in Turkish lira (TRL), adjusted by the effects of inflation and converted using the year-end closing rate.

The primary impacts arising from application of IAS 29 are summarized below:

in millions of euro

Shareholders' equity as of 1 January 2004	(1.3)
Net income for the year 2004	0.4
Translation differences recognized as consolidated reserves	11.8
Shareholders' equity as of 31 December 2004	10.9

In 2004, the restatement of the reserves in accordance with IAS 29 has led to a reduction of 5.9 million euro in the contribution to operating profit and to an improvement in the financial income of 6.3 million euro.

(9) IFRS 2 – Share based payment - Stock options

The Group has decided to apply IFRS 2 starting from 1 January 2004.

The options related to share-based payments plans granted after 7 November 2002 and whose rights have not been vested are valued at fair value the date of the grant and depreciated over the vesting period. Options granted are valued using the binomial method adjusted for dividends.

Adoption of IFRS 2 has not generated any impact on opening shareholders' equity as of 1 January 2004 or on ending balance as of 31 December 2004. Costs charged to 2004 financial year and accounted for in personnel expenses were 1.2 million euro and refer to Italcementi S.p.A. and Ciments Français S.A..

(10) Others

(10 a) IAS 17 Leases. Adoption of IAS 17 for FTA has led to the recognition of financial lease contracts previously booked as operating leases. The impact as of 1 January 2004 translated into an increase of 14.0 million euro in "Property, plant and equipment and Investment Property", an increase in current and non-current "Interest-bearing loans, borrowings and others" of 9.4 million euro, and an increase in shareholders' equity of 1.1 million euro.

(10 b) Consolidated financial statements and equity investments in subsidiaries.

Three Italian companies previously valued at cost (Ecoinerti S.r.l) or at equity (Aliserio

S.r.l, Mantovana Inerti S.r.l.) have joined the consolidation area. The impact as of 1 January 2004 was an increase of 0.3 million euro in shareholders' equity.

(10 c) Accounting for Government Grants and Disclosure of Government Assistance. Based on IAS 20, government grants must be represented by reporting the grant as a deferred revenue (option chosen by the Group) or as a deduction from the asset's carrying amount. The impact, recorded on FTA (decrease in shareholders' equity of 1.1 million euro), relates to the accounting treatment of grants credited directly to shareholders' equity.

(11) Differences from changes in foreign exchange rates

As already mentioned in the paragraph "Options relating to FTA", all cumulative translation differences (-53.2 million euro) have been reclassified in retained earnings.