Ciments Français
Italcementi Group

Press release

The Board of Directors examines results for the year 2008

CIMENTS FRANÇAIS

- **CONSOLIDATED REVENUES**: 4,775 million euros (+1.9%)
- **RECURRING GROSS OPERATING PROFIT**: 1,021 million euros (-15.6%)
- **OPERATING PROFIT**: 607 million euros (-28.9%)
- **NET PROFIT**: 348 million euros (-38.2%)
- **GROUP NET PROFIT (attributable to equity holders of the parent):** 262 million euros (-43.7%)
- **INVESTMENTS**: 676 million euros
- **NET FINANCIAL DEBT**: 1,722 million euros as of December 31, 2008
- **CIMENTS FRANÇAIS SA**: net profit of 171.4 million euros
- **PROPOSED DIVIDEND**: 3 euros per share, payable as of May 5, 2009 (against 2.50 euros for the year 2007)

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Paris March 5, 2009 – *At a meeting on March 4 chaired by Yves René Nanot, the Board of Directors of Ciments Français (Italcementi Group), examined and approved the statutory and the consolidated accounts for the year 2008.*
In 2008, despite the economic crisis which struck many countries in the second half of the year and resulted in lower sales volumes, revenues increased slightly thanks to the steadiness of prices. EBITDA dropped, penalized by the increase in energy prices. On a historical basis, sales volumes were down in all three business lines (-1.6% for cement & clinker, -6.2% for aggregates and -1.4% in ready mix concrete).

Ciments Français consolidated ***revenues*** *amounted to 4,775 million euros, up 1.9% on 2007.*

Recurring EBITDA *at 1,021 million euros was down 15.6% compared with that of 2007.*
EBIT*, after recognition of amortization and depreciation, and of impairment of some assets following impairment tests, amounted to 607 million euros (-28.9%).*

Finance costs, net, *added up to -130 million euros against -93 million euros in 2007, after recognition of non-recurring items (impairment on equity investments -79 million euros and compensation related to the withdrawal from the negotiations on Turkey +50 million euros).*

Net profit*, after finance costs and income tax, totaled 348 million euros down 38.2%, the impact, after tax, of non-recurring items (impairment tests, impairment losses on equity investments and Turkey's compensation) being close to 70 million euros.*

Net profit attributable to equity holders of the parent *added up to 262 million euros, i.e. a 43.7% decrease against 2007, while minority interest was down 12.0% at 86 million euros.*

2008 was also marked by strong ***capital expenditure*** *(614 million euros against 418 million euros in 2007) mainly devoted to the maintenance and improvement of production facilities in emerging countries.*

Net financial debt *grew by 209 million euros from 1,513 million euros up to 1,722 million euros, due to the decrease in cash flows from operating activities, the significant investments previously mentioned and the payment of dividends.* ***Total equity*** *was up 77 million euros at 3,751 million euros and the* ***debt to equity ratio*** *(net financial debt/total equity) stood at 45.9% against 41.2% at the end of 2007.*

Ciments Français SA net profit *for 2008 was 171.4 million euros against 138.5 million euros in 2007. A dividend of 3 euros per share (against 2.50 euros for the year 2007) payable on May 5, 2009 will be proposed to the next General Meeting of Ciments Français SA convened on April 15, 2009.*

Merger project

The Board of Directors mentioned the project of Italcementi-Ciments Français merger announced last February 16. Independent appraisers ("commissaires à la fusion") have been appointed. Their report is expected in the coming weeks.

Outlook

2009 should be another difficult year for the construction and materials sector. Although several economic stimulus plans were announced in Europe and the United States, the Group is expecting a shrinking of demand in developed countries and a mixed but still slightly positive demand from one country to another in all the emerging countries.

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The results of Italcementi and Ciments Français for the year 2008 will be illustrated during an analysts meeting to be held in Paris on ***Monday, March 9, 2009 at 3:30 pm****.*
This presentation may be followed via audio conference or a webstreaming link on the italcementigroup.com and cimfra.com sites.

Q4 2008 – In developed countries, Q4 was impacted by lower volumes in all business segments compared with 2007. In emerging countries, trends appeared more mixed: volumes were higher only in Morocco, stable in India and Egypt, and lower in the other countries.

Due to the steadiness of prices in all the countries and despite the significantly decreasing business trend, revenues for the quarter remained stable compared with 2007. Recurring EBITDA, penalized by the sharp rise in operating costs (in particular, energy, logistics and raw materials) as well as the negative currency translation effect, clearly receded vs. 2007 at 209.4 million euros.

Quarterly trend	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Revenues % change vs. 2007	1,137.9 0.1	1,246.8 2.6	1,295.6 1.6	1,094.5 3.5
Recurring EBITDA % change vs. 2007 *% revenues*	209.4 -19.9 *18.4*	286.2 -15.3 *23.0*	293.2 -21.7 *22.6*	232.2 -1.1 *21.2*
EBITDA* % change vs. 2007 *% revenues*	184.0 -24.9 *16.2*	282.1 -17.0 *22.6*	294.0 -21.7 *22.7*	236.3 0.4 *21.6*
EBIT % change vs. 2007 *% revenues*	43.7 -71.5 *3.8*	200.4 -21.5 *16.1*	210.2 -27.9 *16.2*	152.6 -0.5 *13.9*
Net profit attributable to equity holders of the parent *% revenues*	(24.7) *-2.2*	109.2 *8.8*	115.7 *8.9*	62.0 *5.7*
Net financial debt (at period end)	**1,721.8**	**1,622.7**	**1,691.7**	**1,478.7**

* Vs. recurring EBITDA, other income (expense) and non-recurring operating income (expense) included.

2008 BUSINESS TREND

During fiscal year 2008, on a historical basis, sales volumes decreased by 1.6% at 50.9 million tonnes for cement and clinker, by 6.2% at 47.6 million tonnes for aggregates and by 1.4% at 13.9 million m^3 for ready mix concrete.

WESTERN EUROPE (France, Belgium, Spain, Greece)

In **France**, in a market slightly down in the second half of the year with a sharper deterioration in Q4, Group domestic cement sales volumes were down, already penalized in the first half of the year by strikes in February. Thanks to price increases that offset lower volumes, revenues grew slightly. In construction materials, sales volumes declined but benefited from steady prices.

Overall, operating results dropped, penalized by the steep increase in operating costs (mainly energy and raw materials).

In **Belgium**, in a slightly rising market, Group cement sales volumes were up; this growth encouraged by the steadiness of prices enabled higher revenues.

In construction materials, Group ready mix concrete sales volumes in 2008 dropped because of poor business activity in Q4, while aggregates reported higher sales volumes compared with 2007.

In all business segments, despite growing revenues, operating results dropped compared with 2007, due to the sharp increase in some production costs (energy).

In **Spain**, the crisis in the residential market started in 2007 worsened due to competitive pressure resulting in lower prices, mainly south of the country.

In all three businesses, Group sales volumes were down.

Negative volume effects together with higher energy costs resulted in declining operating results which, thanks to the production of the new Malaga line, benefited from less significant cement and clinker purchases outside the Group.

In **Greece**, in a slackening market, the sound increase in Group cement sales contributed to maintain sales volumes for 2008 to the level of 2007.

Overall, results were down on 2007, the positive trend in selling prices in all three business lines failing to fully offset the increase in some operating costs (fuels).

NORTH AMERICA (United States, Canada, Puerto Rico)

Against an unfavorable economic background, the construction sector reported further declining business activity, the positive trend in the public work and non residential private construction failing to offset the fall of the private residential sector.

Group cement sales volumes declined over the whole year compared with 2007. Thanks to acquisitions in Q1 2007 and 2008, the ready mix concrete segment reported significantly higher sales volumes, however with a reduced profitability.

Overall, operating results decreased sharply vs. 2007, penalized by shrinking sales and rising energy costs.

EASTERN EUROPE AND SOUTHERN MED RIM (Egypt, Morocco, Bulgaria, Turkey)

In **Egypt**, in a still strongly expanding market, the increase in Group sales volumes, limited by the Group production capacity, was below market. Revenues were up, benefiting from the sound increase in selling prices. The ready mix concrete segment reported strongly increasing sales in 2008.

In all business activities, growing volumes and selling prices enabled operating results to rise despite the very sharp increase in energy costs and a negative currency translation effect.

In **Morocco**, thanks to the sound business activity of the construction sector, the national cement market was in an upward trend, however with a mild slow down in Q4 2008.

Group cement sales volumes, limited by the capacity of the industrial setup, enjoyed a positive trend albeit slightly below market.

In the construction materials sector, sales volumes were slightly up.

Despite higher revenues, operating results decreased against 2007, penalized by the significant increase in fuels prices and the rise in clinker purchases outside the Group.

In **Bulgaria**, in an ever-growing market, Group cement sales on the domestic market increased, while exports dropped significantly.

Higher volumes and selling prices enabled a sound increase in revenues, operating results reporting a more limited growth, penalized by rising operating costs.

In **Turkey,** cement market activity significantly dropped compared with 2007, conditions further worsened with the arrival on the market of new production capacities resulting in lower selling prices, which the sharp increase in exports failed to offset.

Globally, against a quite difficult competitive economic background vs. 2007 with sharply rising operating costs, EBIT, after recognition of restructuring costs in the ready mix concrete activity and of some assets' impairment, turned out to be much weaker.

ASIA (Thailand, India, China, Kazakhstan)

In **Thailand**, despite the elections of December 2007, the country's political environment remained very unstable resulting in the postponement of infrastructure work as well as the slackening of private investments. In a declining market, Group domestic cement sales volumes dropped, partially offset by increasing exports with tighter margins.

Overall, revenues in local currency remained steady, while recurring EBITDA was down, penalized by the rise in some operating costs (fuels).

In **India**, the economic background that proved favorable to the construction sector was confirmed, yet at a less sustained rhythm over the second half of the year. Group domestic cement sales were up with significant price increases.

Operating results in local currency grew despite the upsurge in fuels and raw materials prices.

In **China**, following a first quarter penalized by bad weather conditions but benefiting from a growing market, Group cement and clinker sales volumes were up. Despite this sound increase in volumes and the good dynamics of prices, EBITDA dropped slightly, penalized by the sharp rise in fuels cost.

In **Kazakhstan**, in a steeply falling market, consequence of the world finance crisis, Group cement sales decreased sharply, penalized in the first quarter by the freezing of business activity following the suspension of operating permits by local authorities. Operating results were slightly up thanks to significantly higher selling prices.

CEMENT / CLINKER TRADING

In 2008, Group cement and clinker sales volumes dropped, with a more marked trend in the last quarter due to the world finance crisis. Despite the consolidation scope effect (acquisition of a new cement terminal in Kuwait in Q3 2007), lower volumes and prices resulted in a drop in both revenues and operating results.

BUSINESS TREND

In 2008, Group **consolidated revenues** amounted to 4,775 million euros (+1.9% on 2007).

Revenues by activity *(in millions of euros)*	**2008**	**2007**	**% change vs. 2007**	**% change vs. 2007***
Cement & clinker	**3.179**	3,150	+0.9	+2.9
Aggregates / RMC	**1,334**	1,307	+2.0	-0.3
Others	**262**	228	+14.6	+13.4
Total	**4,775**	**4,685**	**+1.9**	**+2.5**

* At comparable consolidation scope and exchange rates.

Recurring EBITDA decreased at 1,021.0 million euros against 2007 (-15.6%), penalized by the negative trend in operating costs (mainly energy, raw materials and transport).

EBIT was down on 2007 at 606.9 million euros (-28.9%), after recognition of amortization and depreciation (-348.9 million euros) and impairment of assets following impairment tests (-40.6 million euros).

(in millions of euros)	**Revenues**		**Recurring EBITDA**		**EBITDA**		**EBIT**	
	2008	**% change vs. 2007**	**2008**	**% change vs. 2007**	**2008**	**% change vs. 2007**	**2008**	**% change vs. 2007**
Western Europe	**2,129.4**	-1.9	**475.0**	-8.1	**477.4**	-8.0	**345.8**	-12.4
North America	**500.7**	-17.3	**55.4**	-56.6	**53.1**	-58.3	**8.2**	-89.8
Eastern Europe & Southern Med Rim	**1,358.9**	11.6	**395.2**	-9.2	**371.8**	-11.6	**231.5**	-21.8
Asia	**449.6**	1.2	**105.1**	-15.5	**103.8**	-15.8	**38.0**	-53.5
Cement/clinker trading	**323.6**	-4.0	**15.4**	-14.9	**15.4**	-14.8	**11.0**	-32.1
Eliminations & others*	**12.6**		**(25.1)**		**(25.1)**		**(27.6)**	
Total	**4,774.8**	**1.9**	**1,021.0**	**-15.6**	**996.4**	**-16.6**	**606.9**	**-28.9**

Western Europe: France, Belgium, Spain, Greece
Eastern Europe & Southern Med Rim: Egypt, Morocco, Bulgaria, Turkey
North America: United States, Canada, Puerto Rico
Asia: Thailand, India, China, Kazakhstan

* Including headquarter, holding companies and fuels trading.

Finance costs, net, amounted to -130.3 million euros against -93.1 million euros in 2007, after recognition of non-recurring items (impairment losses on equity investments -79 million euros and compensation related to the withdrawal from the negotiations on Turkey +50 million euros).

Net profit, after finance costs and income tax of 151.8 million euros, totaled 348.2 million euros (-38.2%) after recognition of the above mentioned non-recurring items.
Net profit attributable to equity holders of the parent added up to 262.2 million euros (-43.7%) and minority interest to 86 million euros (-12.0%).

Cash flows from operating activities totaled 731.0 million euros against 832.3 million euros in 2007 (excluding change in working capital and sold receivables effect).

Investments for 2008 added up to 686.6 million euros. Capital expenditure stood for 613.1 million euros (418.0 million euros in 2007) and mainly related to the United States, Morocco and India. Equity investments (before cash from acquired companies) amounted to 73.5 million euros (218.8 million euros in 2007) and mainly related to the acquisitions of Crider & Shockey in North America, Al Badia in Syria and various investments in the trading activity.

As of December 31, 2008, **net financial debt** amounted to 1,721.8 million euros against 1,513.4 million euros as of December 31, 2007.

At year-end, **equity** totaled 3,751.2 million euros (+77.5 million euros). The **debt to equity ratio** (net financial debt/total equity) was 45.9% as of December 31, 2008 (41.2% as of December 31, 2007).

PARENT COMPANY'S RESULTS – Ciments Français SA net profit amounted to 171.4 million euros as of December 31, 2008 against 138.5 million euros in 2007.

DIVIDEND – A dividend of 3 euros per share (against 2.50 euros for the year 2007) payable on May 5, 2009 will be proposed to the next General Meeting of Ciments Français SA convened on April 15, 2009.

MERGER PROJECT - The Board of Directors mentioned the merger project of Italcementi-Ciments Français announced last February 16. Independent appraisers ("commissaires à la fusion") have been appointed. Their report is expected in the coming weeks.

OUTLOOK – 2009 should be another difficult year for the construction and materials sector. Although several economic stimulus plans were announced in Europe and the United States, the Group is expecting a shrinking of demand in developed countries and a mixed but still slightly positive demand from one country to another in all the emerging countries.

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CIMENTS FRANÇAIS GROUP					
INCOME STATEMENT *(in millions of euros)*	**2008**	**%**	**2007**	**%**	**% change**
Revenues	**4,774.8**	**100.0**	**4,685.2**	**100.0**	**+1.9%**
Other revenues	32.2		39.5		
Change in inventories	49.4		42.4		
Internal work capitalized	15.8		12.4		
Goods and utilities expense	(1,921.1)		(1,723.6)		
Service expense	(1,129.1)		(1,098.5)		
Employee expense	(644.4)		(642.3)		
Other operating income (expense)	(156.6)		(106.0)		
Recurring EBITDA	**1,021.0**	**21.4**	**1,209.1**	**25.8**	**-15.6%**
Other income	1.6		2.9		
Other expense	(26.2)		(16.6)		
EBITDA	**996.4**	**20.9**	**1,195.4**	**25.5**	**-16.6%**
Amortization and depreciation	(348.9)		(340.8)		
Impairment	(40.6)		(1.2)		
EBIT	**606.9**	**12.7**	**853.4**	**18.2**	**-28.9%**
Finance income	76.3		36.2		
Finance costs	(206.2)		(123.8)		
Gains (losses) on exchange rates and changes in fair value of derivatives	(0.4)		(5.5)		
Finance income (costs)	**(130.3)**		**(93.1)**		
Share of results of associates	23.4		12.4		
Profit before tax	**500.0**	**10.5**	**772.7**	**16.5**	**-35.3%**
Income tax expense	(151.8)		(209.1)		
Net profit	**348.2**	**7.3**	**563.6**	**12.0**	**-38.2%**
Equity holders of the parent	262.2		465.9		
Minority interests	86.0		97.7		
Basic earnings per share (in euros)	7.07		12.31		
Diluted earnings per share (in euros)	7.05		12.22		

CIMENTS FRANÇAIS GROUP			
CONSOLIDATED BALANCE SHEET *(in millions of euros)*	**31 December 2008**	**31 December 2007**	**% change**
Non-current assets			
Property, plant & equipment	3,511.9	3 261.1	
Investment property	7.1	7.8	
Goodwill	1,504.9	1 474.9	
Intangible assets	71.8	50.9	
Investments in associates	188.1	130.5	
Other investments	50.0	196.3	
Deferred tax assets	21.6	19.5	
Other non-current assets	102.3	63.7	
Non-current assets	**5,457.7**	**5 204.7**	**+4.9%**
Current assets			
Inventories	698.7	587.3	
Trade receivables	723.8	752.8	
Other current assets	240.5	213.7	
Income tax assets	49.1	18.2	
Investments and financial receivables	0.0	0.1	
Cash and cash equivalents	324.1	358.9	
Current assets	**2,036.2**	**1 931.0**	**+5.4%**
Total assets	**7,493.9**	**7 135.7**	**+5.1%**
Equity and liabilities			
Share capital	147.0	150.7	
Reserves	940.7	1 054.6	
Treasury shares	(36.3)	(95.0)	
Retained earnings	1,954.8	1 871.5	
Shareholders' equity	**3,006.2**	**2 981.8**	**+0.9%**
Minority interest	745.0	691.9	
Total equity	**3,751.2**	**3 673.7**	**+2.2%**
Interest-bearing loans	1,655.9	1 442.4	
Employee benefit liabilities	117.4	1 054.6	
Provisions	202.0	191.0	
Deferred tax liabilities	248.8	268.8	
Payables and other non-current liabilities	32.3	45.9	
Total non-current liabilities	**2,256.4**	**2 067.5**	**+9.1%**
Current liabilities			
Bank overdrafts and short-term borrowings	195.5	204.8	
Interest-bearing loans and borrowings (current portion)	230.3	198.2	
Trade payables	552.4	529.8	
Provisions	2.0	3.1	
Income tax liabilities	58.4	37.8	
Other current liabilities	447.7	420.8	
Current liabilities	**1,486.3**	**1 394.5**	**+6.6%**
Total equity and liabilities	**7,493.9**	**7 135.7**	**+5.1%**