



Ciments Français

Italcementi Group

Board of Directors examines results for FY 2006

CIMENTS FRANÇAIS

- **CONSOLIDATED REVENUES:** 4,381 MILLION EUROS (+21.8%)
- **RECURRING GROSS OPERATING PROFIT:** 1,214.2 MILLION EUROS (+27.1%)
- **OPERATING PROFIT:** 871.3 MILLION EUROS (+35.2%)
- **TOTAL NET PROFIT:** 589.8 MILLION EUROS (+24.8%)
- **NET PROFIT (GROUP SHARE):** 502.3 MILLION EUROS (+19.1%)
- **INVESTMENTS:** 540.5 MILLION EUROS
- **NET FINANCIAL DEBT:** 1,477.1 MILLION EURO AT DECEMBER 31, 2006 (-63.5 MILLION EUROS FROM THE END OF 2005)
- **CIMENTS FRANÇAIS S.A.:** NET PROFIT 337.2 MILLION EUROS (+48%)
- **PROPOSED DIVIDEND:** 2.28 EUROS PER SHARE, PAYABLE ON MAY 9 (1.90 EURO IN 2005)

Paris, March 8, 2007 – At a meeting on March 5, 2007, chaired by Yves René Nanot, the Board of Directors of Ciments Français (Italcementi Group) examined and approved the consolidated financial statements of the company for financial year 2006.

The Group reported very satisfactory results in 2006, a year notable for favorable meteorological conditions and an upbeat mood on the construction market in almost all countries in which it operates. The positive trend in sales volumes and prices in all business segments and geographical areas was offset in part by higher operating expenses, notably energy, logistics and fixed costs.

Thanks to its diversified geographical presence, the Group benefited from the strong surge in operations in the emerging countries—in both the Mediterranean Rim and Asia, with the sole exception of Thailand—where growth in operating results was three times faster than in the mature countries. Among mature countries, positive performance in the European Union contrasted with a downturn in sales volumes in North America, especially toward the end of the year. Full-year **sales** improved in all business segments: 50.5 million tonnes (+4.8% on a comparable basis) in cement, 51.2 million tonnes (+8.2%) in aggregates and 12.7 million cubic meters (+4.3%) in ready-mixed concrete.

In this context, Ciments Français **consolidated revenues** increased to 4,381 million euros (+21.8% from 2005): the Group's improved business performance accounted for 3/4 of revenues growth, while the changes in the consolidation scope - the consolidation of Suez Cement and its subsidiaries in Egypt (over the full year for the first time) and of Zuari Cement in India, fully consolidated from June 1, 2006 - had an impact of 7%.

(in millions of euros)	Revenues		Recurring gross operating profit		Gross operating profit		Operating profit	
	2006	% change vs. 2005	2006	% change vs. 2005	2006	% change vs. 2005	2006	% change vs. 2005
European Union	2,047.9	12.1	501.5	11.5	505.5	17.5	387.5	22.8
North America	659.7	9.4	156.6	19.6	155.7	20.4	110.3	20.5
Med Rim	1,105.5	37.2	428.3	40.5	399.0	38.9	284.4	43.9
Asia	361.2	39.1	101.9	53.2	101.6	52.1	67.1	68.2
Trading and other ⁽¹⁾	562.4	65.8	26.0	ns	26.0	ns	22.0	ns
Eliminations	(355.8)	48.8	-	-	-	-	-	-
Total	4,380.9	21.8	1,214.2	27.1	1,187.8	29.6	871.3	35.2

European Union: France, Belgium, Spain, Greece
Mediterranean Rim: Egypt, Morocco, Turkey, Bulgaria
ns: not significant (1) includes head office and holding

North America: USA, Canada, Puerto Rico
Asia: Thailand, India, Kazakhstan

Recurring gross operating profit was 1,214.2 million euros (+27.1%), although growth slowed in the fourth quarter due to the increase in fixed and variable costs.

Operating profit, after a strong rise in amortization and depreciation charges compared with 2005 as a result of the enlargement of the consolidation scope, totaled 871.3 million euros (+35.2%).

Total net profit amounted to 589.8 million euros, i.e. a 24.8% increase, after recognition of finance costs and tax expense which both benefited from significant extraordinary items in 2005.

Net profit (Group share) reached 502.3 million euros, up by 19.1% from 2005, while the share attributable to minority interests increased as a result of consolidation of operations in Egypt over the full year.

Investments in financial and industrial fixed assets remained high in 2006 (540.5 million euros) as the Group strengthened its operations in emerging countries (notably India and Turkey) and in mature countries (improvement of production facilities in France, Spain and North America). Despite high expenditure and significant dividend payouts, **net financial debt** decreased by 63.5 million euros to 1,477.1 million euros, which, in respect of **shareholders' equity** (up by 272.3 million euros to 3,487.8 million euros), produced an improvement in the **debt to equity ratio (gearing)** to 42.4%, compared with 47.9% at the end of 2005.

With this solid financial structure, the Group will be able to consider development opportunities in the fastest growing areas and introduce internal measures to improve its production facilities.

The **parent company Ciments Français S.A.** reported **net profit** of 337.2 million euros for 2006, (227.9 million euros in 2005).

At the Shareholders' Meeting in Paris convened for April 16, the Board will propose distribution of a dividend of 2.28 euros per share payable on May 9 (1.90 euro for FY 2005).

For the current year, forecasts indicate continued growth in the world economy, if at a slower rate than in 2006. Slowdowns are not expected in the construction industry as a whole, particularly in the emerging countries.

In this context, the Group expects moderate growth in sales volumes and further increases in sales prices, set against higher operating expenses and strong worldwide demand. All this, together with its plans to boost industrial efficiency, should enable the Group to keep operating results steady with the record figures posted in 2006.

FOURTH QUARTER 2006 – During the fourth quarter of 2006, sales volumes made very strong progress in all business segments and countries in which the Group operates, with the exception of North America. Although price trend dynamics varied from one country to another, the overall trend was positive, boosting revenues to 1,096 million euros (+16.8%), while growth in operating profit, which gained 7.9% to reach 163 million euros, was burdened by the rise in operating expenses. Group net profit in the fourth quarter amounted to 115.4 million euros (-18.7% compared with the year-earlier fourth quarter); the decrease reflected a rise in finance costs and tax expense, whereas the fourth quarter of 2005 benefited from significant extraordinary income.

Quarterly performance	4Q 2006	3Q 2006	2Q 2006	1Q 2006
Revenues	1,095.7	1,128.3	1,214.9	942.0
% change vs. 2005	16.8	14.9	20.6	41.1
Recurring gross operating profit	273.4	336.9	379.8	224.1
% change vs. 2005	8.6	15.5	32.2	ns
% on revenues	25.0	29.9	31.3	23.8
Gross operating profit*	245.6	337.1	380.7	224.4
% change vs. 2005	7.0	15.7	41.1	ns
% on revenues	22.4	29.9	31.3	23.8
Operating profit	163.1	256.8	303.2	148.2
% change vs. 2005	7.9	17.7	ns	ns
% on revenues	14.9	22.8	25.0	15.7
Group net profit	110.1	143.4	188.0	60.9
% on revenues	10.0	27.9	15.5	6.5
Net financial debt (at period end)	1,477.1	1,600.4	1,835.4	1,512.2

* compared with recurring gross operating profit, includes non-recurring income and expense

BUSINESS PERFORMANCE

During financial year 2006, Ciments Français reported improvements in sales volumes in all business segments: 50.5 million tonnes (+4.8% on a comparable basis) in the **cement** business, 51.2 million tonnes (+8.2%) in **aggregates** and 12.7 million cubic meters (+4.3%) in **ready-mixed concrete**. The only exception to the general growth trend was the downturn in cement sales volumes in North America and in ready-mixed concrete in Thailand and Belgium.

During the fourth quarter, cement and clinker sales gained 3.3%, while growth in aggregates (+19.3%) and ready-mixed concrete (+10.2%) was stronger than the full-year average.

<i>Sales volumes and internal transfers</i> ⁽¹⁾	Cement and clinker (millions of tonnes)			Aggregates (millions of tonnes)			Ready-mixed concrete (millions of m ³)		
	2006	% change vs. 2005		2006	% change vs. 2005		2006	% change vs. 2005	
		A	B		A	B		A	B
European Union	12.7	6.8	5.3	47.9	9.0	7.6	8.1	4.6	4.4
North America	7.0	(1.3)	(1.3)	0.2	(6.4)	(6.4)	0.2	0.4	0.4
Med Rim emerging countries	20.1	31.7	1.7	2.7	24.2	24.2	3.4	12.9	8.0
Asia	9.4	19.4	7.6	0.4	ns	ns	1.0	(6.9)	(6.9)
Trading	6.3	41.8	41.8	-	-	-	-	-	-
Eliminations	(5.1)	-	-	-	-	-	-	-	-
Total	50.5	17.3	4.8	51.2	10.6	8.2	12.7	5.6	4.3

European Union: France, Belgium, Spain, Greece

North America: USA, Canada, Puerto Rico

Mediterranean Rim: Egypt, Morocco, Turkey, Bulgaria

Asia: Thailand, India, Kazakhstan

(1) amounts refer to companies consolidated on a line-by-line basis and, pro-quota, to companies consolidated on a proportionate basis;

A: on a historical basis - B: on a comparable basis; ns: not significant

EUROPEAN UNION (France, Belgium, Spain, Greece)

In **France**, where cement demand continued to rise strongly, Ciments Calcia reported a sizeable increase in sales volumes. Despite the rise in costs, the positive price trend produced substantial progress in operating results compared with 2005. In ready-mixed concrete, Unibeton obtained higher sales volumes with average sales prices more than making up for the rise in operating expenses.

In **Belgium**, Compagnie des Ciments Belges (CCB) reported moderate growth on the domestic cement market, with an improvement in sales prices. Nevertheless, fierce competitive pressures limited sales in the ready-mixed concrete business, although revenues per unit improved.

In **Spain**, where demand was robust, the Group reported a significant increase in cement sales volumes. Limited growth in sales of ready-mixed concrete was accompanied by a significant improvement in sales prices. The overall rise in revenues offset the negative trend in some cost factors, to produce a healthy increase in operating results.

In **Greece**, consumption continued to strengthen, driven by residential demand and the resumption of public works. This upbeat climate produced higher sales volumes in cement and in ready-mixed concrete, together with a positive sales price trend, determining a sharp improvement in operating results despite the rise in cost factors.

NORTH AMERICA (USA, Canada, Puerto Rico)

Trends varied on the North American market, with a slowdown in the second half of the year due to the sharp drop in residential demand, which steady performance in public works and private building failed to absorb. The Group's cement sales reflected the general situation, with full-year sales volumes slightly down on the prior-year figure. Nevertheless, a positive trend in revenues per unit produced an improvement in the year's operating results, after higher operating expenses.

MED RIM EMERGING COUNTRIES (Egypt, Morocco, Turkey, Bulgaria)

In **Egypt**, the lively mood on the cement market continued, driven by residential demand and investments in tourist infrastructures. This allowed the Group to boost domestic sales volumes -partly at the expense of exports - with the support of a healthy price trend. Higher prices offset the rise in costs for electricity, maintenance and personnel, producing an improvement in operating results. During the year, the Group implemented a vertical integration of its ready-mixed concrete operations with the acquisition of Ready Mix Beton (a leader in the ready-mixed concrete segment).

Group sales volumes in **Morocco** reflected market growth trends, both for cement and for ready-mixed concrete. The overall strengthening in performance and prices assisted growth in revenues and operating results, which reflected the impact of sharp increases in both energy and raw materials costs.

In **Turkey**, domestic sales volumes were well up on 2005, enabling the Group to operate at full production capacity. Prices benefited from the healthy market climate and increased significantly. Ready-mixed concrete sales volumes also made progress. This general situation allowed the Group to report a satisfactory improvement in revenues and operating results.

During the year, the Group purchased a stake of approximately 29% in Goltas Cimento, with a view to strengthening its operations in south-west Turkey.

Cement demand surged in **Bulgaria** as a result of residential projects and work on new infrastructures. The Group's domestic sales volumes rose in line with market growth. The high level of domestic demand, which produced a reduction in cement exports, supported

average sales prices, enabling the Group to report its highest growth in revenues and operating results since it began operating in Bulgaria.

ASIA (Thailand, India, Kazakhstan)

In **Thailand**, the postponement of major infrastructure projects due to the unstable political situation had a negative impact on demand for cement and ready-mixed concrete. Nevertheless, the slowdown in domestic sales was more than offset by the increase in the Group's cement exports and a positive price trend, although this was affected by higher production costs, especially energy costs. Ready-mixed concrete sales volumes also dropped, due to the slowdown in demand. Overall operating results denominated in euro were stable, but slightly lower in local currency.

The Group's cement and clinker sales volumes in **India**, where Zuari Cement was fully consolidated from the beginning of June, made strong progress, accompanied by higher sales prices. The sizeable improvement in operating results reflected, in addition to higher revenues, significant savings in electricity costs further to the agreement with an important local producer including the construction of a new power station.

Cement demand strongly increased in **Kazakhstan**, with particularly sharp growth in the residential segment. Cement sales at Shymkent Cement grew satisfactorily, with a positive sales price trend determining an improvement in operating results, despite the impact of increased operating expenses.

Last December, the Group announced a partnership agreement with Mercury Group and Sembol Group to develop two cement plants in the south-east and west of the country thus creating the largest cement producer in Central Asia.

CEMENT TRADING

Cement and clinker sales volumes made strong progress due to higher Group and third-party demand, with an overall improvement in prices. The significant increase in revenues generated substantial growth in operating results.

FINANCIAL PERFORMANCE

In 2006 consolidated **revenues** at Ciments Français amounted to 4,381 million euros (+21.8% on 2005), reflecting higher revenues in all countries in which the Group operates due to improved sales volumes in all business segments and a positive price trend. Specifically, business growth accounted for 15.8% and the change in the consolidation scope for 7% (essentially full consolidation of the Suez Cement group in Egypt over the entire year and of Zuari Cement in India as from June 1, following acquisition of full ownership). The exchange rate effect produced a small decrease of 1%.

Contribution to revenues by business segment (in millions of euros)	2006	2005	% change vs. 2005	% change vs. 2005 (1)
Cement and clinker	3,024	2,437	24.1	16.9
Aggregates/ready-mixed	1,171	1,044	12.3	11.8
Other	186	115	61.6	30.1
Total	4,381	3,595	21.8	15.8

(1) on a comparable basis and at comparable exchange rates

Despite continuing increases in operating expenses (primarily energy, raw materials and transport), the growth in revenues resulted in a strong rise in **recurring gross operating profit** to 1,214.2 million euros (+27.1%). The geographical breakdown shows substantial growth in the Med Rim emerging countries (+40.5%) and Asia (+53.2%) and a satisfactory overall improvement of 13.3% in the mature countries (European Union and North America).

After an increase in amortization and depreciation charges to 316.1 million euros (271.7 million euros in 2005) as a result of the enlargement of the consolidation scope, **operating profit** amounted to 871.3 million euros (+35.2%).

(in millions of euros)	Revenues		Recurring gross operating profit		Gross operating profit		Operating profit	
	2006	% change 2005	2006	% change 2005	2006	% change 2005	2006	% change 2005
European Union	2,047.9	12.1	501.5	11.5	505.5	17.5	387.5	22.8
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Trading ⁽¹⁾	562.4	65.8	26.0	ns	26.0	ns	22.0	ns
Others and eliminations	(355.8)	48.8	-	-	-	-	-	-
Total	4,380.9	21.8	1,214.2	27.1	1,187.8	29.6	871.3	35.2

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As a result of the enlargement of the consolidation scope and an unfavorable base effect compared with 2005, **net finance costs** rose sharply to 94 million euros, from 47.2 million euros in 2005.

After income tax expense of 199 million euros, a significant increase compared with 2005 which benefited from extraordinary tax income, **net profit** was 589.8 million euros (+24.8%). **Net profit (Group share)** for the year increased to 502.3 million euros (+19.1%).

Cash flow from operations amounted to 759.9 million euros, compared with 580.2 million euros in 2005.

Investments totaled 540.5 million euros in 2006. Capital expenditure amounted to 327.6 million euros (298.3 million euros in 2005) and related mainly to France, Spain and North America. Financial investments totaled 213 million euros (537.2 million euros in 2005) and consisted chiefly of acquisition of full ownership of Zuari Cement in India and of an equity investment in Goltas Cimento in Turkey.

Net financial debt as of December 31, 2006, stood at 1,477.1 million euros, a decrease of 63.5 million euros from the end of December 2005.

Shareholders' equity at the end of 2006 amounted to 3,487.8 million euros (+272.4 million euros). Year-end **gearing** (net debt/ equity) was 42.4% (47.9% at December 31, 2005).

PARENT COMPANY NET PROFIT – The parent company Ciments Français S.A. posted net profit of 337.2 million euros as of December 31, 2006, compared with 227.9 million euros in 2005.

DIVIDEND – At the Ciments Français S.A. Shareholders' Meeting convened for April 16, 2007, the Board of Directors will propose distribution of a dividend of 2.28 euros per share payable from May 9 (1.90 euro for 2005).

OUTLOOK – For the current year, forecasts indicate continued growth in the world economy, if at a slower rate than in 2006. Slowdowns are not expected in the construction industry as a whole, particularly in the emerging countries.

In this context, the Group expects moderate growth in sales volumes and further increases in sales prices, set against higher operating expenses and strong worldwide demand. All this, together with its plans to boost industrial efficiency, should enable the Group to keep operating results steady with the record figures posted in 2006.

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Ciments Français Group					
Income Statement (in millions of euros)	2006	%	2005	%	% change
Revenues	4,380.9	100	3,595.4	100	21.8
Other revenues	22.7		19.9		
Change in inventories	(4.0)		16.2		
Internal work capitalized	11.5		14.0		
Goods and utilities expense	(1,508.8)		(1,176.8)		
Services expense	(990.5)		(868.8)		
Employees expense	(604.7)		(557.0)		
Other operating income/(expense)	(92.9)		(87.5)		
Recurring gross operating profit	1,214.2	27.7	955.4	26.6	27.1
Other income (expense)	(26.4)		(38.8)		
Gross operating profit	1,187.8	27.1	916.6	25.5	29.6
Amortization and depreciation	(316.1)		(271.7)		
Impairment	(0.4)		(0.6)		
Operating profit	871.3	19.9	644.3	17.9	35.2
Finance income	29.0		54.7		
Finance costs	(117.9)		(113.7)		
Gains (losses) on exchange rates and derivatives	(5.1)		11.8		
Finance income (costs), net	(94.0)		(47.2)		
Share of results of associates	11.4		18.0		
Profit before tax	788.7	18.0	615.1	17.1	28.2
Income tax expense	(198.9)		(142.4)		
Net profit for the period	589.8	13.5	472.7	13.1	24.8
Attributable to:					
Equity holders of the parent	502.3		421.6		
Minority interest	87.5		51.1		
Earnings per share (in euros)					
- Basic	13.20		11.07		
- Diluted	13.09		11.00		

Ciments Français Group			
Balance sheet (in millions of euros)	12/31/2006	12/31/2005	% change
Non-current assets			
Property, plant and equipment	3,162.0	3,129.9	
Investment property	7.3	7.0	
Goodwill	1,415.9	1,385.0	
Intangible assets	30.9	33.0	
Investments in associates	114.8	121.0	
Other investments	163.3	66.8	
Deferred tax assets	19.7	10.7	
Other non-current assets	75.6	411.1	
Total non-current assets	4,989.5	5,164.5	(3.4)
Current assets			
Inventories	481.7	490.6	
Trade receivables	858.9	719.7	
Other current assets	191.6	168.5	
Income tax assets	12.4	13.9	
Investments and financial receivables	0.1	0.1	
Cash and cash equivalents	306.1	384.7	
Total current assets	1,850.8	1,777.5	4.1
Total assets	6,840.3	6,942.0	(1.5)
Shareholders' equity			
Share capital	153.4	153.8	
Reserves	1,065.0	1,174.5	
Treasury shares	(44.6)	(27.0)	
Retained earnings	1,596.4	1,184.2	
Group shareholders' equity	2,770.2	2,485.5	11.4
Minority interest	717.5	729.9	
Total shareholder's equity	3,487.7	3,215.4	8.5
Non-current liabilities			
Interest-bearing loans and long-term borrowings	1,521.3	1,577.4	
Employee benefit liabilities	119.8	126.5	
Provisions	216.1	200.1	
Deferred tax liabilities	275.2	290.5	
Other non-current liabilities	20.0	16.0	
Total non-current liabilities	2,152.4	2,210.5	(2.6)
Current liabilities			
Bank overdrafts and short-term borrowings	86.3	517.8	
Interest-bearing loans and borrowings -current	169.7	153.4	
Trade payables	517.5	484.4	
Provisions	1.3	1.3	
Income tax liabilities	65.8	60.5	
Other current liabilities	359.6	298.7	
Total current liabilities	1,200.2	1,516.1	(20.8)
Total equity and liabilities	6,840.3	6,942.0	(1.5)