

INTERIM FINANCIAL REPORT
30 SEPTEMBER 2010

 **cementirholding**
CALTAGIRONE GROUP





Directors, officers and auditors

Board of Directors

Chairman

Francesco Caltagirone Jr. ¹

Vice Chairman

Carlo Carlevaris

Directors

Alessandro Caltagirone

Azzurra Caltagirone

Edoardo Caltagirone

Saverio Caltagirone

Flavio Cattaneo ²

Mario Ciliberto ¹

Massimo Confortini ²⁻³⁻⁴

Fabio Corsico

Mario Delfini ³

Alfio Marchini

Walter Montevercchi

Riccardo Nicolini ¹

Enrico Vitali ²⁻³

Board of Auditors

Chairman

Claudio Bianchi

Standing members

Giampiero Tasco

Federico Malorni

Dirigente Preposto alla redazione dei documenti contabili societari

Oprandino Arrivabene

Società di Revisione

PriceWaterhouseCoopers SpA

¹ Member of the Executive Committee

² Member of the Internal Control Committee

³ Member of the Remuneration Committee

⁴ Lead Independent Director



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Interim financial report at 30 September 2010

The interim financial report of the Cementir Holding group has been prepared in accordance with the international accounting standards (IAS/IFRS) endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002, as well as with Art. 154-*ter* (Financial reporting) of Legislative Decree 58/1998, as amended. The following table reports performance for the first nine months and third quarter of the year, with comparative figures for the corresponding periods of 2009:

Results

(EUR '000)	Jan-Sept 2010	Jan-Sept 2009	Δ %	3 rd quarter 2010	3 rd quarter 2009	Δ %
REVENUES FROM SALES AND SERVICES	630,905	629,976	0.15%	231,131	210,801	9.64%
Change in inventories	(9,203)	(7,887)		1,839	1,110	
Other revenues*	9,150	8,357		2,249	2,458	
TOTAL OPERATING REVENUES	630,852	630,446	0.06%	235,219	214,369	9.73%
Raw material costs	(292,727)	(273,178)	7.16%	(112,450)	(85,693)	31.22%
Personnel costs	(104,973)	(112,236)	-6.47%	(35,269)	(32,343)	9.05%
Other operating costs	(148,780)	(144,883)	2.69%	(53,266)	(54,297)	-1.90%
TOTAL OPERATING COSTS	(546,480)	(530,297)	3.05%	(200,985)	(172,333)	16.63%
EBITDA	84,372	100,149	-15.75%	34,234	42,036	-18.56%
<i>EBITDA Margin %</i>	<i>13.37%</i>	<i>15.90%</i>		<i>14.81%</i>	<i>19.94%</i>	
Depreciation, amortisation, impairment losses and provisions	(64,370)	(60,542)	6.32%	(21,457)	(20,163)	6.42%
EBIT	20,002	39,607	-49.50%	12,777	21,873	-41.59%
<i>EBIT Margin %</i>	<i>3.17%</i>	<i>6.29%</i>		<i>5.53%</i>	<i>10.38%</i>	
FINANCIAL INCOME (EXPENSE)	7,672	(1,461)		1,348	(580)	
PROFIT BEFORE TAX	27,674	38,146	-27.45%	14,125	21,293	-33.66%
<i>PROFIT BEFORE TAX Margin %</i>	<i>4.39%</i>	<i>6.06%</i>		<i>6.11%</i>	<i>10.10%</i>	

* "Other revenues" includes the items of the income statement "Increases for internal work" and "Other operating revenues".



Sales volumes

('000)	Jan-Sept 2010	Jan-Sept 2009	Δ %	3 rd quarter 2010	3 rd quarter 2009	Δ %
Grey and white cement (metric tons)	7,565	7,302	3.60%	2,675	2,431	10.05%
Ready-mixed concrete (m ³)	2,344	2,282	2.72%	846	740	14.32%
Aggregates (metric tons)	2,717	3,006	-9.61%	970	1,072	-9.51%

Group employees

	30-09-2010	31-12-2009	30-09-2009
Number of employees	3,293	3,439	3,509

During the first nine months of the year, revenues from sales and services amounted to EUR 630.9 million (EUR 629.9 million at 30 September 2009), while EBITDA came to EUR 84.4 million (EUR 100.1 million at 30 September 2009), EBIT amounted to EUR 20.0 million (EUR 39.6 million at 30 September 2009) and profit before tax totalled EUR 27.7 million (EUR 38.1 million at 30 September 2009).

Revenues at 30 September 2010 are essentially in line with the figure for the corresponding period of 2009, thanks to a gradual recovery in sales seen over the last three quarters: while revenues dropped by 16.4% in the first quarter of the year (year-on-year comparison), there was an increase (again year-on-year) of 5% in the second quarter and 9.6% in the third quarter. This was driven by the recovery in demand in Scandinavia and Turkey which, together with good performance in Egypt and the Far East, offset problems in the Italian market.

The increase in operating costs, by 3.0% compared with 30 September 2009, was mainly due to the rise in the costs of raw materials, which was only partially offset by the reduction in personnel costs.

In particular, the cost of raw materials (EUR 292.7 million, up 7.2% compared with 30 September 2009), has gradually increased over 2010 (-13.7% in the first quarter, +5.3% in the second quarter and +31.2% in the third quarter compared with the corresponding periods of 2009) due to higher production volumes in response to rising demand and due to the growing price of raw materials, especially fuel prices.

The decrease in personnel costs from EUR 112.2 million at 30 September 2009 to EUR 104.9 million in the first nine months of 2010 (-6.5%) is due to the ongoing corporate reorganisation required to bring the workforce into line with the market's new production demands. These efforts have involved cutting the Group's workforce from 3,509 employees at 30 September 2009 to 3,293 employees at present.



EBITDA came to EUR 84.4 million, a 15.7% decrease compared with 30 September 2009 (EUR 100.1 million) and the EBITDA margin on sales amounted to 13.4% (15.9% at 30 September 2009). This decline as compared with the same period of 2009, despite the improvement in the sale of cement and concrete is only due to the negative trend, in the last nine months, of the Italian subsidiary which has accumulated a delay of approximately EUR 20 million compared to budget.

Financial management yielded a positive EUR 7.7 million (EUR –1.5 million at 30 September 2009), leaving debt of EUR 357 million at the end of the period. This figure benefited from the effectiveness of existing foreign exchange and commodity hedges, low interest rates and the narrow intermediation margins paid to banks thanks to the Group's high credit rating, earned as reward for its ability to maintain a solid capital and financial structure.

An analysis of the figures for the third quarter of 2010 shows revenues amounting to EUR 231.1 million (EUR 210.8 million in the third quarter of 2009), while EBITDA came to EUR 34.2 million (EUR 42.0 million in the third quarter of 2009). EBIT was EUR 12.8 million (EUR 21.9 million in the third quarter of 2009) and profit before taxes totalled EUR 14.1 million (EUR 21.3 million at 30 September 2009).

The EUR 20.3 million increase in revenues in the third quarter was due to higher volumes of cement and ready-mixed concrete sold (+10.5% and +14.3% compared with the third quarter of 2009). This confirms positive signals seen in the second quarter from almost all of the geographical areas in which the Group operates, except for Italy, where demand remains weak and competition over prices (required to maintain market share) led to a 21% drop in revenues.

EBITDA for the third quarter of 2010 fell by EUR 7.8 million compared with the same period of 2009 due mainly to the negative trend of Cementir Italia. The decline in operational efficiency was made worse by the fact that the Group used up its entire store of fuels purchased at 2009 prices in the first half of the year. Therefore, the Group was heavily penalised in the third quarter of 2010 as compared with the same period of 2009 since it had to rebuild its store of fuel at current market prices while being unable to raise the prices of its products as demand is still volatile and disjointed.



Net financial position

(EUR '000)	30 Sept 2010	30 Jun 2009	31 Dec 2010	30 Sept 2009
Cash and cash equivalents*	92,921	93,462	63,477	63,919
Non-current financial liabilities	(259,275)	(255,558)	(265,719)	(262,928)
Current financial liabilities	(190,671)	(220,813)	(179,051)	(207,585)
NET FINANCIAL POSITION	(357,025)	(382,909)	(381,293)	(406,594)

The net financial position at 30 September 2010 yielded a negative EUR 357.0 million, an improvement of about EUR 24.3 million compared with 31 December 2009. Considering that the Group paid dividends of EUR 9.5 million and one-off tax payment of around EUR 7.3 million related to past years, this figure confirms that the Group is able to generate consistent cash flows despite a depressed market.

The net financial position for the third quarter of 2010 showed an improvement of EUR 25.9 million and benefited from favourable weather conditions that permitted operation at full capacity and from trends in working capital.

Finally, over the last twelve months, the net financial position improved by around EUR 50 million.

Directors' report and significant events

While the results at 30 September 2010 confirm the signs of recovery in demand seen during the second quarter, they still remain lower than expected in terms of operating profitability due mainly to the negative trend of the Italian subsidiary and rising energy costs. During the year, the cost of oil hovered close to around USD 80/barrel, a price last reported towards the end of 2007 when the economic cycle had reached its peak. This price does not appear to be driven by the present state of health of the industrialised countries or by growing demand from the emerging economies, but rather seems to be due to speculation fed by the enormous amount of liquidity in the financial markets.

It seems that this scenario, featuring a slight recovery in demand, dropping or stable prices and rising production costs, will continue to affect the operational activities of the Group into the fourth quarter.

As regards developments in the business plan, the subsidiary Betontir is in the process of purchasing 14 plants for the manufacture and sale of ready-mixed concrete from the Calcestruzzi S.p.A. The acquisition of the new factories, mainly located in central and southern Italy, will boost the Group's presence in the Italian ready-mixed concrete market and will allow a greater vertical integration with cement manufacturing.

* "Cash and cash equivalents" includes the consolidated statement of financial position items "Cash and cash equivalents" and "Current financial assets".



Work also continues in Italy on studying the project to completely overhaul the Taranto factory, which would require an investment of around EUR 150 million over 3 years. The project aims to improve the factory's industrial efficiency and reduce its environmental impact both in terms of energy consumption and lower emissions. In August, the regional council of Puglia approved a grant of up to EUR 20 million.

With regard to the waste management business, first begun in Turkey with the 2009 acquisition of Sureko AS (the Turkish leader in the treatment of industrial waste and the production of alternative fuels), by the subsidiary Cimentas, in July the first integrated waste management, recycling and disposal centre in the country was inaugurated in Kula, in the Manisa province in the Aegean region.

Finally, the Group is continuing to study ways to double production capacity in Malaysia.

Rome, 5 November 2010

The Chairman of the Board of Directors

/s/ Francesco Caltagirone Jr.



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Oprandino Arrivabene, as the manager responsible for the preparation of company accounting documentation, certifies, pursuant to Article 154-bis (2) of the Consolidated Law on Financial Intermediation, that the accounting information contained in this document corresponds with the results contained in company documents, books and accounting records.