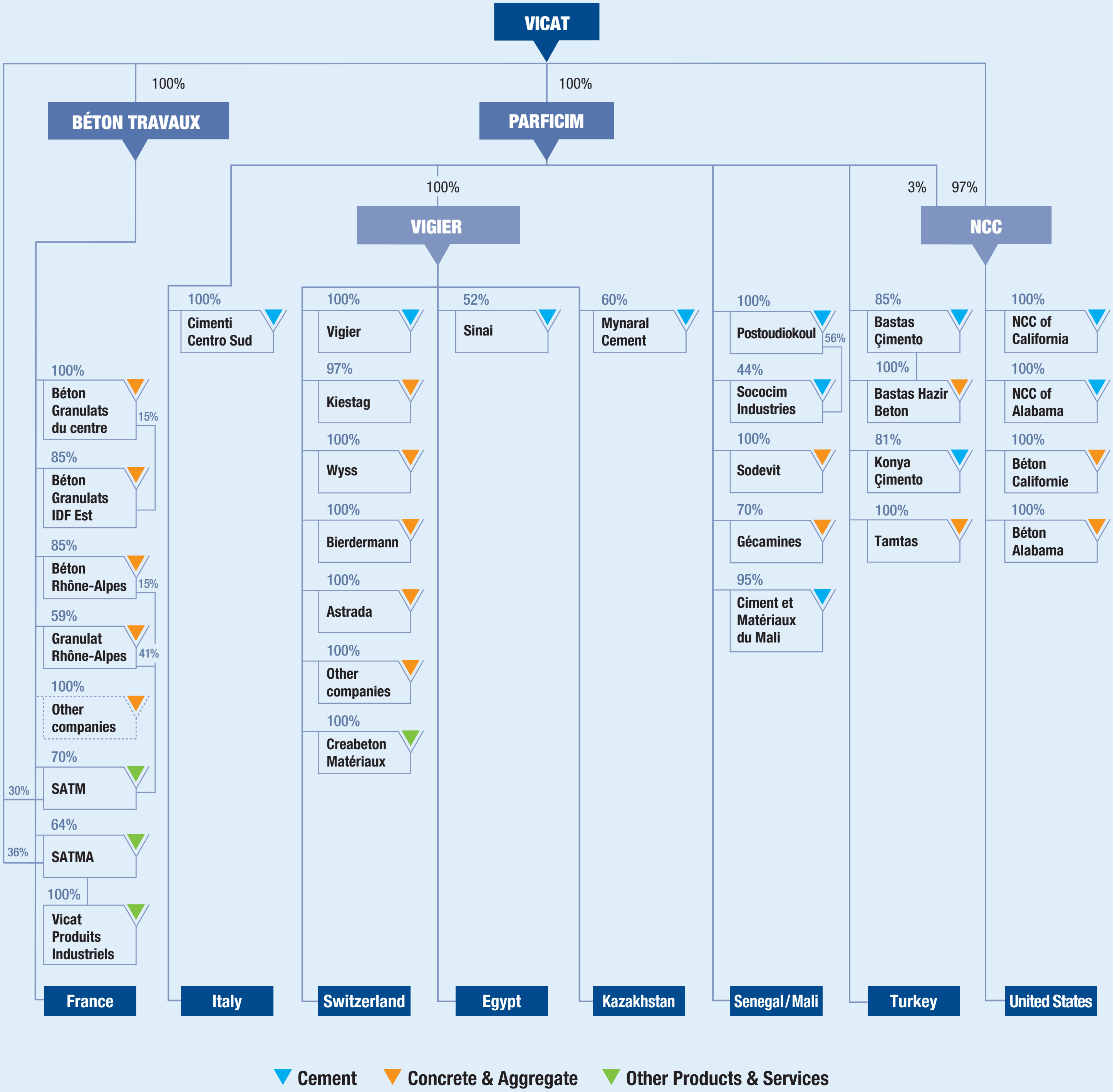
Annual Report 2007

VICAT

World presence

Apart from France, its historic cradle, the Group works in ▼ the United States, in California and in the Southeast ▼ in Europe, in Switzerland and in Italy ▼ in Africa, in Egypt, Senegal, and Mali, and ▼ in Asia Minor and Central Asia, in Turkey and, since 2007, in Kazakhstan. The Group focuses primarily on Cement, and through vertical integration develops into the ready-mixed Concrete and Aggregate markets.

Group organization chart at December 31, 2007



CEMENT
CONCRETE & AGGREGATE
OTHER PRODUCTS & SERVICES

Contents

€2,136 M
in sales

6,655
employees

47%
of sales generated by Cement business

38%
of sales generated by Concrete & Aggregate business

three
main businesses

nine
countries

Profile

View over Almaty, Kazakhstan

Message from the Chairman

After two years of strong world growth, 2007 ended on a less favorable note marked by a pronounced slowdown of the US economy and soaring rates for the euro, raw materials, and energy.

Against this backdrop, the sales of the Vicat Group progressed 2.6% throughout 2007, rising to 2,136 million euros with sound organic growth of 4.3%, chiefly in the Cement and Other Products & Services businesses. Group sales were also affected by an unfavorable 2.3% exchange-rate effect and a positive 0.6% scope-of-consolidation effect resulting from the disposal of the Retail and Pipes businesses in France, together with acquisitions in France and Switzerland in the fields of Concrete, Aggregate, and Precasting.

Business was steady in France and very strong in Senegal and Egypt. On the other hand, business in the United States was penalized by a sharp drop in concrete volume sales because of the slump on the housing market, particularly in California. Business in Turkey suffered from stiffer competition on the Mediterranean coast which put pressure on prices and caused a drop in concrete volume sales. Switzerland benefitted from the integration of companies Astrada and Desmeules as well as from sound Cement business.

As expected, the Group's levels of profitability improved yet again as a result of a determined pricing policy which fully compensated rises in energy and fuel prices, the first effects of investments made under the "Performance 2010" plan, especially in Senegal, and continued efforts to optimize production costs.

Consequently, the 2007 EBITDA of the Group rose 5.1% to 593 million euros with an improved margin at 27.8% compared to 27.1% in 2006. The net profit after minorities also improved, rising 6.1% to 299 million euros despite the unfavorable effect of certain non-recurring items.

2007 saw further progress on the "Performance 2010" plan which, you will remember, has three main objectives:

- to equip the Group with production capacity enabling it to meet the current demand on markets as well as future growth in that demand;

- to cut production costs, and particularly energy costs, by benefitting from industrial facilities with even better performance than that of plant operating at this time, this objective being all the more important since the Group now operates on a market where raw-materials prices generally, and energy prices in particular, are very high;

- to substantially increase the proportion of substitute fuels used by the Group.

As called for by the plan, industrial investments in 2007 amounted to 311 million euros and chiefly concerned:

- increased kiln capacity, and construction of a raw-meal conveyor, a marl prehomogenization store, and a raw mill at the Montalieu plant in France;

- the startup at the end of the year of the new 4,500-tonne-per-day Bastas Çimento kiln and a new cement mill at Konya Çimento in Turkey;

- the commissioning of a vertical cement mill at the Ragland plant in the United States;

- more work in Egypt and Senegal on the two new kilns due to come on line in 2008 and 2009 respectively.

2007 was also marked by the acquisition of a 60% shareholding in Mynaral Cement Invest, a cement company in Kazakhstan, thereby involving the Group in the project for

"The Group's priority is to carry out external-growth operations addressing new markets, especially in countries with emerging economies, to back up the organic growth generated by the Performance 2010 plan"

construction of a 1.1-million-tonne plant currently being built and due for completion at the end of 2010. The Group is thus placing itself in an ideal position in a country which, while it has substantial resources, currently has a cement production shortfall, and whose cement consumption is expected to grow in the years to come.

Lastly, the secondary offering of the entire HeidelbergCement shareholding in Vicat through a private investment opportunity for institutional investors in France and on the international scene, as well as by a public offer in France, was well received by the market and was successfully finalized at the end of the first half of 2007. This operation enables Vicat to more firmly assert its independence as a result of greater control of the Group by its majority shareholders, and also to substantially increase its float and the liquidity of the share.

2008, however, will be more difficult, as a result of a foreseeable international slowdown. The Group is nevertheless confident of its ability to carry through its program for improving operational profitability despite tensions on some markets, especially in the United States and Turkey.

Investment in 2008 will consist in continuing the program laid down for the "Performance 2010" plan in the amount of about 280 million euros. In particular, it will see mid-year startup of the second kiln line for Sinai Cement in Egypt whose overall cement production capacity will therefore rise to 3.6 million tonnes, as well as commissioning of a vertical cement mill and further construction work on the new kiln for Sococim Industries in Senegal.

External growth is more than ever the Group's main priority. New companies have to be acquired in new countries to complement organic growth and enable the Group to address new markets while distributing its risks in geographical terms. For this, the Group has a solid financial structure and the means to finance growth. Our people are working actively towards this, especially in countries with emerging economies.

Concerned by the standstill in the Group's safety results, I have decided to launch an initiative—the "Safety 2008" plan—to reinvigorate action already underway with respect to safety and make decisive progress.

Lastly, I wish to pay tribute to and thank all employees for their commitment that produced the results we had in 2007 and, above and beyond that, for all they have contributed over a period of many years to make the Group what it is today. I know I can count on the dedication, loyalty, and energy of all our staff in tackling the challenges of the years ahead.

Having reached the age of 70, I decided at the board of directors meeting of March 7, 2008 to resign my position as Chief Executive Officer while retaining that of Chairman of the board. Guy Sidos, who was previously Chief Operating Officer, was appointed CEO.

Jacques MERCERON-VICAT
Chairman and CEO

Biography

Jacques Merceron-Vicat joined Vicat upon graduating from engineering school (École Supérieure des Travaux Publics). In the early part of his career, he learnt the ropes of the business as operations engineer and participated in the construction of the Créchy cement plant in France which was inaugurated in 1968.

Until 1972, working alongside his father, André Merceron-Vicat, he helped achieve alliances, takeovers, and mergers in the cement business in France (Saint-Égrève, Chambéry, Voreppe, Bouvesse, Pont-à-Vendin, and Xeuilley plants), making Vicat France's third-largest cement company, and also developed the embryonic ready-mixed concrete business. At the same time, the Group moved into the southeastern part of the United States by acquiring the Ragland cement plant near Atlanta.

Appointed CEO in 1973, Jacques Merceron-Vicat implemented a policy of modernization, energy-saving measures, and automation of cement plants without staff cutbacks in a period marked by a decline in construction in France.

From 1984, when he was appointed Chairman of the board in addition to his position as CEO, he incessantly devoted himself to:

- persevering with restructuration of production facilities by modernizing and increasing the capacity of the Montalieu plant, concentrating the activities of the Chambéry and Voreppe plants there, and broadening the scope of business in France, particularly through very strong development of the concrete and aggregate businesses;

- developing the Group internationally: cement plants of Lebec, California, in 1987, Konya, Turkey, in 1991, followed by Bastas, also in Turkey, in 1994, Rufisque, Senegal, in 1999, the Vigier Group in Switzerland in 2001, then CCS in Italy and Sinai Cement in Egypt in 2003, followed by CMM, Mali, in 2004, finishing with Mynaral in Kazakhstan in 2007. Other countries are being studied.

In 2006, Jacques Merceron-Vicat launched the "Performance 2010" plan, the main objectives of which are a 50% increase in cement production capacity by 2010 and enhanced profitability by reducing production costs.

Today, the Vicat Group has attained an international dimension and is present in nine countries. It generates sales of more than 2.1 billion euros, 54% of which is outside France, and employs close to 6,700 people.

Board & Management

BOARD OF DIRECTORS

> **Jacques Merceron-Vicat,** Chairman
> **Jean-Michel Allard**
> **Raynald Dreyfus**
> **René Fegueux**
> **Jacques Le Mercier**
> **Louis Merceron-Vicat**
> **Sophie Sidos**
> **Guy Sidos**
> **Bernard Titz**
> **P&E Management**

CORPORATE GOVERNANCE

With the change in shareholding in the Group that took place at the start of the summer of 2007, the board of directors decided to appoint a new independent director and, as of January 1, 2008, to create two committees within the board: a remunerations committee and an audit and accounts committee. These committees are made up of independent directors.

Upon the proposal of the Chairman and CEO, Mr Jacques Merceron-Vicat, the meeting of the board of directors of March 7, 2008, decided to separate the functions of Chairman and Chief Executive Officer. It was decided to retain Mr Jacques Merceron-Vicat in his position as Chairman of the board and to appoint Mr Guy Sidos as Chief Executive Officer.

MANAGEMENT

> **Jacques Merceron-Vicat,** Chief Executive Officer
> **Guy Sidos,** Chief Operating Officer
> **Jean-Michel Allard,** Assistant General Manager
> **Éric Holard,** Assistant General Manager
> **Raoul de Parisot,** Assistant General Manager
> **Bernard Titz,** Assistant General Manager, General Secretary of Vicat
> **Éric Bourdon,** Performance and Investment Manager
> **Pierre-Olivier Boyer,** Human Relations Manager
> **Philippe Chiorra,** Legal Department Manager
> **Gilbert Natta,** International Development Manager
> **Dominique Renié,** Technical Manager
> **Jean-Pierre Souchet,** Financial Manager

AUDITORS

> **Incumbents**
KPMG Audit,
Wolff & Associés SAS
> **Substitutes**
Cabinet Constantin,
Sofico France

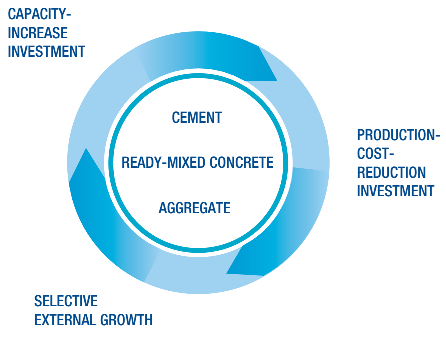
Strategic thrusts

BUSINESS DEVELOPMENT STRATEGY

The Group focuses primarily on its historical business expertise, cement, and through vertical integration develops into the ready-mixed concrete and aggregate markets in order to provide secure access to the markets that use cement. In addition, on some markets, it benefits from synergies with complementary activities that consolidate its offering and strengthen its regional positioning.

Cement is the Group's leading business and the foundation of its development and profitability.

The Group works in the field of ready-mixed concrete to reinforce its cement business. Development in this field depends on the maturity of markets and their integration of industrial concrete production. The objective is to establish a network of concrete batching plants around cement plants and near consumer centers, by either creating industrial facilities or acquiring existing market players.



The Group's presence in the aggregate sector is intended to provide a global answer to its customers' construction materials requirements and to provide secure supplies of aggregate for development of the ready-mixed concrete business. Development in the aggregate business relies on acquisitions and on industrial investment aimed at both increasing the capacity of existing facilities and opening up new quarries.

GROUP DEVELOPMENT PLAN

The Group stresses controlled development of its different businesses, associating a fine balance of dynamic organic growth sustained by industrial investment to meet market demand and a policy of selective external growth for tackling new markets with an attractive growth potential or for accelerating vertical integration.

Sustained organic growth through industrial investment

On the markets it works in, the Group is constantly making industrial investments aimed at:

• modernizing its production resources to achieve greater efficiency and better economic performance in its plants, and thus to have the industrial capacity to respond to more intense competition; and

• increasing its production capacity in order to keep pace with the development of its markets and consolidate or enhance its position as regional leader.

The Group has thus committed to investments targeting a close to 50% increase in cement production capacity by the end of 2010 while at the same time appreciably improving the productivity of its existing industrial resources. This program concerns above all France, Turkey, Egypt, and Senegal, but Switzerland and the United States are also to be involved in the longer term.

investing

El Arish plant, Egypt

The Group is committed to industrial investment aimed at increasing its capacity or enhancing efficiency and reducing production costs

Targeted acquisitions on new, high-potential markets

The Group's strategy is to penetrate new markets through the cement business, but only very selectively. In its drive for external growth, the Group thus aims to meet all the following criteria:

• projects to be located near large markets with attractive growth potential,

• projects to guarantee availability of long-term mineral reserves (target of 100 years for cement) through land acquisition and award of definitive operating licenses,

• projects to be net contributors to Group profits in the short term.

The Group may also seize opportunities to penetrate new developing markets by building new "greenfield" cement plants. Such projects will, however, be examined very selectively, in accordance with the Group's external growth criteria outlined above.

It was in application of these principles that at the end of 2007 the Group acquired a company in Kazakhstan in order to build a 1.1-million-tonne-capacity "greenfield" cement plant.

GEOGRAPHICAL DEVELOPMENT STRATEGY

The Group currently has companies operating in nine countries. It generates 54% of its sales outside France: close to 15% in the rest of Europe, 17% in the United States, and 22% in emerging countries (chiefly Egypt, Mali, Senegal, and Turkey).

By combining investment in developed countries, which generate more regular cash flow, and in emerging countries which, while they do have greater potential for long-term growth, can suffer more pronounced market fluctuations, the Group's strategy aims to diversify geographical exposure.

On the markets where it is already a player, the Group aims to develop strong regional positions around its industrial cement 'backbone' by integrating more business in ready-mixed concrete and aggregate. Where the Group has entered a country through external growth, it intends to employ its financial potential and its industrial and commercial expertise to optimize the economic performance of its acquisitions while capitalizing on the local reputation of the brands it has taken over.

Key figures

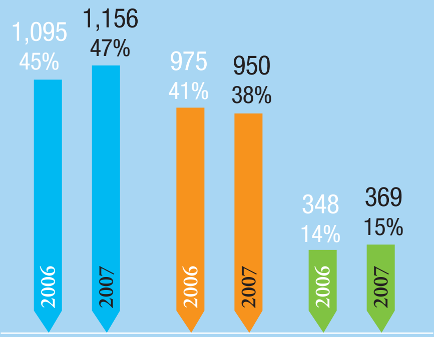
€2,136 MILLION SALES

€331 MILLION CONSOLIDATED NET PROFIT

6,655 EMPLOYEES

Operational sales

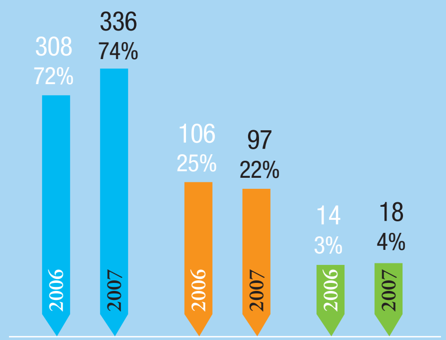
(before intra-group elimination, in millions of euros)



Business in Cement, Concrete, and Aggregate, the Group's core activities, represents 85% of operational sales.

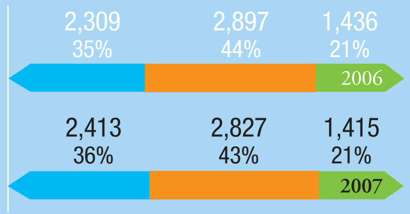
Operating profit

in millions of euros



The operating profit in Cement benefitted from the thriving market while the profit in Concrete & Aggregate dropped because of the slowdown in the United States and Turkey.

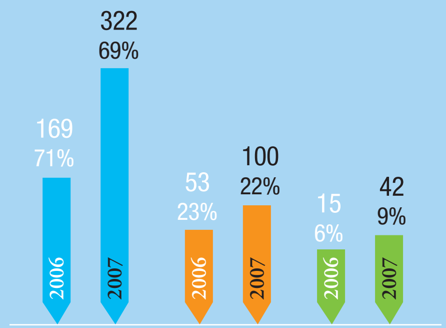
Average staff numbers



Staff numbers remained stable overall, with a rise in Cement, due to thriving business, and a drop in Concrete, especially in the United States.

Investments

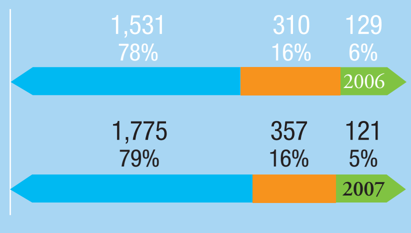
in millions of euros



Cement investments are essentially industrial in nature while those in Concrete & Aggregate correspond in large part to external growth.

Assets employed

in millions of euros

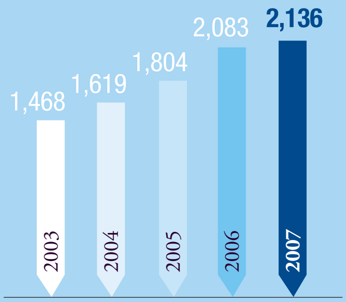


The rise in assets employed in Cement is the result of the Performance 2010 plan; that in Concrete & Aggregate is essentially due to external growth.

▼ Cement ▼ Concrete & Aggregate ▼ Other Products & Services

Sales

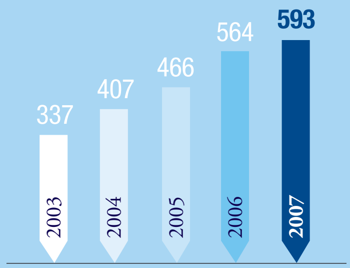
in millions of euros



Sales for 2007 were up 2.6%, or 4.3% at constant scope of consolidation and exchange rates. The growth in sales was driven by the liveliness of the Cement business which was up 9.7% at constant scope and exchange rates.

EBITDA

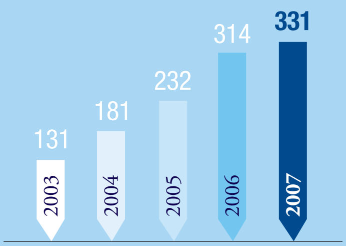
in millions of euros



The Group continued to improve its operating profitability, with a higher EBITDA margin, at 27.8%, despite the increase in energy costs.

Net profit

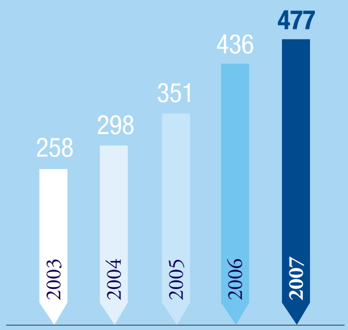
in millions of euros



Consolidated net profits rose 5.5% in 2007 to attain 15.5% of sales, despite the unfavorable effect of non-recurring items.

Cash flow

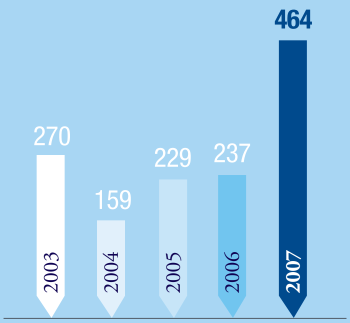
in millions of euros



Cash flow increased 9.3% in 2007, covering all financial requirements resulting from investments.

Total investments

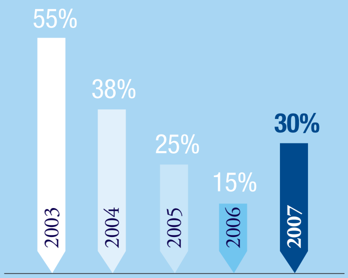
in millions of euros



Investment rose in 2007 as a result of the Performance 2010 plan, with total industrial investments of €311 million.

Net debt/Total equity

percent



Gearing stood at 30% on 12/31/2007, giving the Group the financial resources to pursue its development, in particular externally.

Stock market & Shareholders

SHAREHOLDING

In 2007, the number of company shares totaled 46,771,200, each with a par value of 4 euros, giving a share capital of 187,084,800 euros. The breakdown of shareholding as of December 31, 2007 is shown on the right.

The board of directors meeting of March 7, 2008 proposed that the Annual General Meeting of shareholders on May 16, 2008 should vote to cancel 4% of the Company's shares, already held by the company. The new share capital would therefore amount to 44,900,000 shares with par value of 4 euros, i.e. 179,600,000 euros. Subject to approval of this share reduction by the Annual General Meeting, the breakdown of capital after cancellation would be approximately as follows: family shareholders 60.4%, treasury shares 3.2%, public (including employees) 36.4%.

NEW STOCK-MARKET STATUS

- **Substantially increased float** subsequent to the secondary placement of the shares previously held by HeidelbergCement.

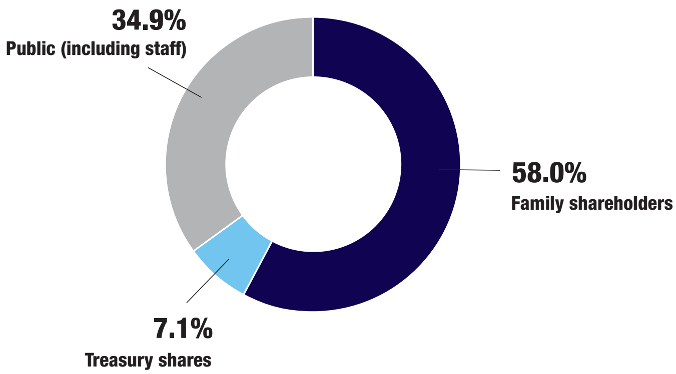
This operation took place as an Open-Price Offer in France and a Global Placement for institutional investors. Completed on June 12, 2007, the operation substantially increased the share float, taking the public shareholding, including company employees, to approximately 35%, as compared to less than 10% previously.

- **Vicat became part of the Paris Bourse's SBF 250 index** on December 24, 2007.

- **Vicat shares can be traded under the *Service du Règlement Différé* deferred settlement service** since February 26, 2008.

Breakdown of shareholding

as of December 31, 2007



Shareholder information:

Shareholder and investor service:

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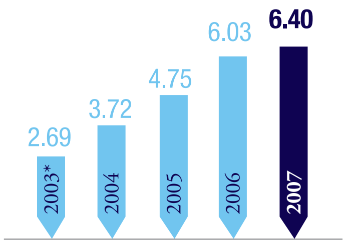
Fax: +33 1 5886 8788
Email: relations.investisseurs@vicat.fr
Websites: **www.vicat.fr**
www.vicat.com

Mnemonic: VCT
Code ISIN: FR0000031775
Sicovam: 03177
Bloomberg: VCT.PA
Reuters: VCTP.PA

Profit per share

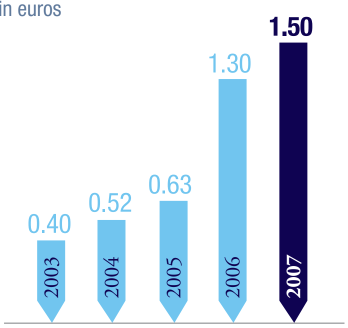
in euros



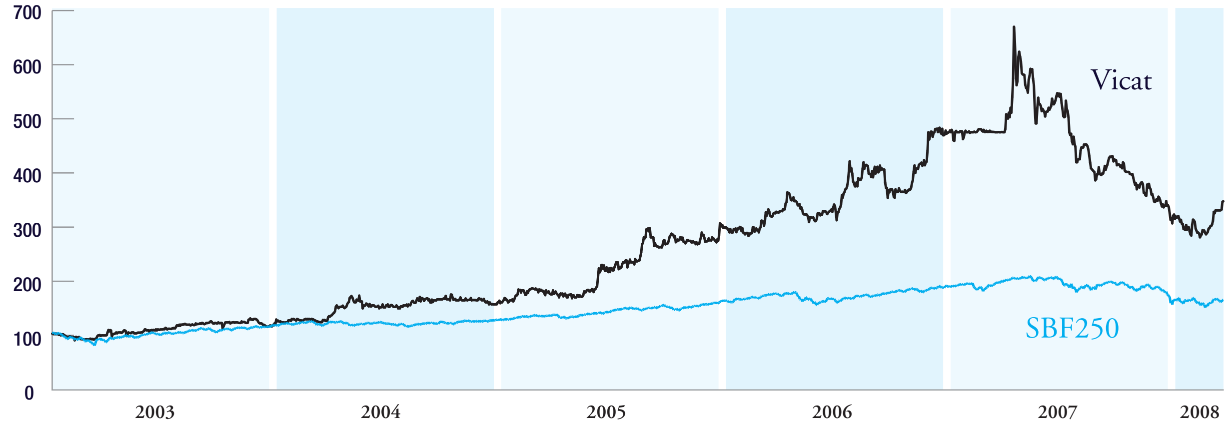
* Accounts consolidated under French system.

Dividend per share

in euros



Share price evolution



Comparison of evolution of Vicat share price and SBF 250 index between 01/01/2003 and 04/16/2008.
Plot based on index of 100 on 01/01/2003.

FINANCIAL COMMUNICATION POLICY

Vicat is committed to at all times maintaining transparency and ease of access to information in the implementation of its shareholder financial communication policy.

The Group therefore undertakes to make information on its business, strategy, results, and prospects available to shareholders at regular intervals. The Company's communication program now comprises:

- quarterly, half-yearly, and yearly press releases;
- an annual report;
- a reference document;
- a dedicated website: www.vicat.fr (also www.vicat.com); "Financial Information" section.

Also, Vicat takes part in a great many conferences and other events aimed at facilitating and intensifying direct contact between the Group and various members of the financial community.

Financial communication calendar:

May 5, 2008
Publication of sales for the first quarter of 2008

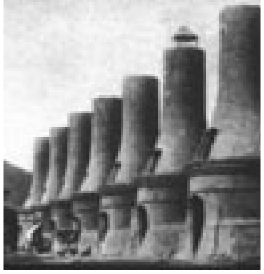
May 16, 2008
Annual General Meeting of shareholders

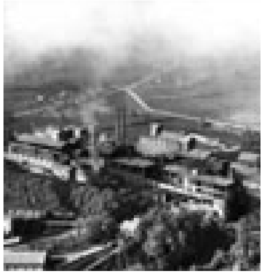
August 1, 2008
Publication of sales and results for the first half of 2008

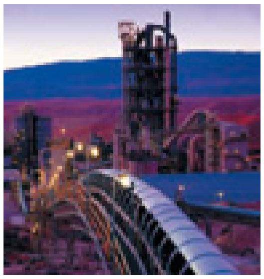
November 4, 2008
Publication of sales for the third quarter of 2008

History & Key events

VICAT HISTORY







1853 – CREATION OF GENEVREY-DE-VIF PLANT

It was Joseph Vicat who, at the age of 32, had the Genevrey-de-Vif cement plant built in the Isère region of the French Alps. The long history of the Vicat Group began... It was in this plant that in 1857 he developed his "double firing" method which produces a very uniform cement.

1922 – CONSTRUCTION OF MONTALIEU AND PEILLE PLANTS

1960 / 1972 – GROWTH OF CEMENT BUSINESS IN FRANCE

In the years after 1960, Vicat faced a difficult period as the French cement industry went through a restructuring process, and became the third-largest cement company in France.

1968 Construction of the Créchy plant.

1969 Acquisition of the Xeuilley plant.

1970 Merger with Ciments de Voreppe et Bouvesse.

1972 Takeover of Ciments Pont-à-Vendin.

1974 / 1987 – START OF INTERNATIONAL EXPANSION

The Group turned to international horizons and expanded into North America in two stages: in 1974, with the acquisition of the Ragland cement plant in Alabama, and in 1987 with acquisition of the Lebec plant in California.

1984 / 1990 – DEVELOPMENT OF CONCRETE & AGGREGATE BUSINESS IN FRANCE

Acquisition of SATM (transport, concrete and aggregate) and numerous concrete and aggregate companies to gradually build up networks in the Paris area and in central and southeastern France.

1991 / 2007 – GREATER INTERNATIONAL DEVELOPMENT

1991 Acquisition of Konya Çimento cement plant in Turkey.

1994 Takeover of Bastas Çimento near Ankara, Turkey.

1999 Integration of Sococim Industries, Senegal, then in Mali in 2004.

2001 Acquisition of Swiss group Vigier whose businesses—Cement, Concrete & Aggregate, Precasting—and location complement Vicat's own.

2003 Acquisition of Sinai Cement Company in Egypt and Cementi Centro Sud in Italy.

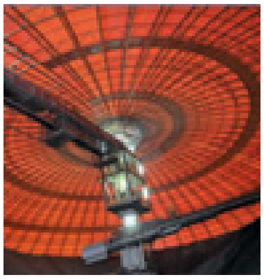
2007 Takeover of Mynaral Cement, Kazakhstan.

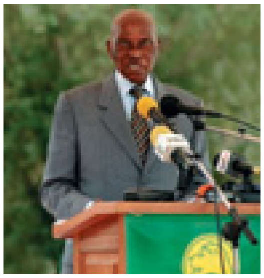
2006 / 2007 – KICKOFF OF "PERFORMANCE 2010" PLAN

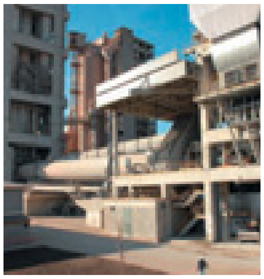
The Group initiated an ambitious industrial investment program aimed at increasing its cement production capacity by about 50% by the end of 2010 and reducing production costs, particularly by bringing one new kiln on line every year throughout the period.

Bastas cement plant, Turkey
A new 4,500-tonne-per-day kiln started production in December 2007. It will not only increase output but also reduce production costs

KEY EVENTS







JANUARY / FEBRUARY 2007 ACQUISITIONS IN SWITZERLAND

The Vicat Group continued to strengthen its position in Switzerland by acquiring the companies Astrada and Desmeules which complement the Group's Concrete & Aggregate business through expansion eastwards and consolidate its leadership position on the Swiss precasting market.

APRIL / MAY 2007 – STARTUP OF NEW FACILITIES AT MONTALIEU PLANT, FRANCE

The investments made at the Montalieu plant under the "Performance 2010" plan produced results. The works undertaken, aimed at increasing plant production capacity, reducing production costs, and improving environmental performance, included modification of the kiln and construction of a 2-km-long overland conveyor between the quarry and the plant, a marl homogenization store, and a raw mill.

MAY / JUNE 2007 – SECONDARY ISSUE OF VICAT SHARES HELD BY HEIDELBERGCEMENT

The transfer of HeidelbergCement's 35% holding of Vicat shares by means of a private placement for institutional investors in France and the rest of Europe and a public offering in France was well received by the market and successfully finalized in June. This operation strengthens Vicat's independence and substantially increases the share's float and liquidity.

DECEMBER 2007 – TAKEOVER OF MYNARAL CEMENT IN KAZAKHSTAN

The Vicat Group took a 60% shareholding in Mynaral Cement, thereby becoming part of a project for construction of a cement plant in Kazakhstan with capacity of 1.1 million tonnes. The plant, near Almaty, is scheduled to come on line in 2010.

DECEMBER 2007 – GROUNDBREAKING FOR NEW SOCOCIM KILN IN SENEGAL

The President of the Republic of Senegal, Mr Abdoulaye Wade, was present at the groundbreaking ceremony for the new Sococim Industries kiln at Rufisque. This investment is part of the "Performance 2010" plan and is aimed at increasing the capacity of the existing plant as of 2008, reducing production costs, and building a new production line scheduled to start up in 2009.

DECEMBER 2007 – STARTUP OF NEW BASTAS ÇIMENTO KILN IN TURKEY

Startup of the new Bastas Çimento kiln line near in Turkey. This new 4,500-tonne-per-day kiln implements the most modern cement-making techniques and in addition to increasing capacity will cut production costs.

6,655
employees

4,011
employees outside France

+0.2%
headcount throughout the world

Men & Women

Ensuring that employees subscribe to Vicat corporate values is the key factor in the Group's success in the one hundred and fifty years of its existence. The values that have forged a strong corporate culture are: ▼ management reactivity and quick decision-making ▼ a taste for innovation and progress feeding on the discoveries of Louis Vicat in the 19th century ▼ tenacity, which has enabled the Group to overcome the challenges it has confronted since it was founded ▼ a shared sense of belonging, which generates an ability to mobilize energies, along with a powerful force of action for achieving objectives.

safety

Concerned by the standstill in the Group's safety results in 2007, general management has decided to allocate new resources to safety

HUMAN RESOURCES POLICY

Human resources policy must match the individual skills of staff members and the collective skills of teams to the Group's development strategy, for the short, medium, and long term. This policy is designed in accordance with values underpinning the company culture, and aims to promote them. It also aims to maintain and develop the appeal of the Group for its employees, and to foster ever greater company loyalty; with this in mind, in-house promotion is given priority wherever possible. It must enable everyone to legitimately aspire to career prospects consistent with their ambitions and abilities. Mobility—in both functional and geographical terms—is one of the conditions for such progress.

Training

The development of employee skills is of the utmost importance for the Group.

Because of the substantial ongoing industrial investment and increasing complexity of manufacturing processes as a result of technological innovation, the top priority is to train engineers and technicians in the tools and methods necessary for smooth operation of the industrial resource. As has been the practice every year for some time, two process seminars and one maintenance seminar were held in 2007 for engineers and technical supervisors in all the Group's cement plants.

To complement these technical training courses, internal or external training is also given to develop the horizontal skills required within the Group (management training, project management, languages, etc.).

Safety

Occupational health and safety are a top priority for the Vicat Group. The actions undertaken in 2006 were continued and amplified in 2007. Nevertheless, the results are insufficient compared to the Group's ambitions in this respect.

Company integration into the human environment

In 2007 the Group continued to support educational projects for the people of the countries in which it works. To the Maurice Gueye media centre in Rufisque, Senegal, and the school of fine arts in Konya, Turkey, has been added support for Sinai University in El Arish, Egypt. In 2007 this support took the form of financial assistance for the construction of university buildings and funding of scholarships for students in need. Technical exchanges and visits to Sinai Cement's El Arish plant are also organized regularly with the university's engineering department.

training

Ongoing development of staff skills is a key aspect of the Group's human resources policy

ANALYSIS OF STAFFING CHANGES

The average number of Group staff changed little in 2007 relative to 2006, rising just 0.2% while the Group's sales rose 2.6% at constant scope of consolidation, thereby maintaining the Group's productivity ratios. The drop in staff numbers observed in France is essentially due to the disposal of the pipes and retail activities. The 12.5% increase in the Switzerland / Italy zone is due to the acquisition of the companies Astrada and Desmeules in Switzerland.

Change in mean staffing

per geographical area

	2006	2007	Variation
France	2,784	2,644	- 5.0%
Switzerland / Italy	941	1,059	+12.5%
United States	1,260	1,222	-3.0%
Turkey	859	875	+1.9%
Senegal & Mali / Egypt	798	855	+7.1%
Total	**6,642**	**6,655**	**+0.2%**

Recruitment dropped in 2007 relative to 2006, with just 866 new hires compared to 1,277. This drop is largely due to the fact that staff leaving the concrete sector in the United States, a sector hard hit by a substantial drop in volume sales in 2007, were not replaced. The increase in staff as a result of the startup of new resources at the Bastas cement plant at the end of the year was compensated by a drop in the headcount in the Concrete & Aggregate sector as a result of a slowdown in those businesses. A productivity improvement is expected for 2008.

End-of-year staff numbers

per type of movement

	Staff numbers
Staff numbers at December 31, 2006	6,668
Natural departures (resignation, end of contract, death)	-672
Departure for retirement, early retirement, dismissal, other causes	-229
Variation in scope of consolidation	+11
New hires	+866
Staff numbers at December 31, 2007	**6,644**

Change in seniority in the Group

	Average age		Average seniority	
	2006	2007	2006	2007
Group total	40.4	40.8	8.9	8.5
France	41.3	41.1	11.2	10.2

Average seniority dropped slightly relative to 2006. This change is related to the recruitment of younger personnel and, to a lesser extent, to the disposals in France.

reactivity

One of the Group's key values

▶ Change in mean staffing

Women / Men

The proportion of women employees in the Group increased slightly in 2007. For the first time in the Group's history, a woman engineer was appointed to manage a cement plant (Créchy).

▼ SAFETY

In 2007, the number of lost-time accidents was very close to that in 2006. However, the year was tragically marred by three fatal accidents in France (at the Saint-Égrève cement plant and the La Perelle underground quarry) and in Switzerland (Lyss facility).

The Group continued with its intensification of measures to prevent accidents. It obtained OHSAS 18001 certification for the La Grave-de-Peille cement plant in France, bringing the total number of certified Group plants to three; the other two are the Bastas and Konya cement plants in Turkey.

	Cement business		Group total	
	2006	2007	2006	2007
Lost-time accidents	62	73	209	204
Working days lost	1,570	1,751	8,347	8,133
Accident frequency rate	12.4	13.7	17.4	17.1
Accident severity rate	0.33	0.33	0.7	0.68

The Group also continued to appoint Quality-Safety-Environment supervisors in the Concrete & Aggregate branches in France, accompanying these appointments with a major training program on accident prevention for all the personnel in the fields.

Concerned by the standstill in the Group's safety results in 2007, general management decided to allocate new resources to safety. In particular this involved reinforcing Group safety management by appointing a deputy safety manager, formerly a cement-plant manager. The Group's safety objectives were reiterated by general management in January 2008 at a safety seminar attended by the majority of the Group's operational managers for the launch of the "Safety 2008" plan.

Audits of plants and behavior have become general practice. A safety committee has been created. It is chaired by the chief operating officer of the Group and is tasked with ensuring that the action plan is rolled out appropriately and with monitoring the results achieved.

13%
substitute fuels

80%
of quarries have a restoration plan

Environment

The Group pursued its environmental policy focusing on five main issues: ▼ better integration of all raw-materials quarries into their environments ▼ optimized choice of energy sources to maximize the proportions of secondary fuels and waste burned ▼ management and recycling of water ▼ reduction of disturbance (emissions, noise) ▼ climate protection through control of CO_2 emissions.

restoration

Tscharner quarry, Switzerland
More than 80% of the quarries operated by the Group have restoration plans

ENVIRONMENTAL INTEGRATION OF QUARRIES

The strategy for environmental integration of quarries follows three fundamental lines.

Quarry restoration

Whether for aggregate quarries or cement quarries, and especially in Switzerland and France, restoration programs were applied in accordance with plans drawn up at the time of preliminary studies. More than 80% of Group operations are covered by such a program. Fauna, flora, and landscape are thus taken into consideration at each stage of operations. Massive planting has been undertaken in Turkey and France.

Countervailing measures offset quarrying

Many areas in or alongside quarries have been classified as protected zones for animals or habitats. One example is the Creys Mépieu reserve which, subject to a request for doubling in size to 160 hectares being granted, will be close to the same size as the area concerned by the future request for quarrying authorization at Montalieu.

Countervailing measures contribute to the development of habitats for emblematic species such as reptiles or bats (Combes, Sassenage, Maizières quarries, etc.). Restored zones become part of the Natura 2000 network (European Habitat Directive).

Reduction of environmental impacts

Three projects carried out in 2007 illustrate the work done by the Group to reduce the impact of its quarries in terms of transport and energy consumption:

- **Enieu quarry, France:** truck traffic between the quarry and the cement plant has been stopped. A 2-km-long overland conveyor now transports marl to the plant.
- **Santa Augusta quarry, France:** after completion of the equipment in the shaft and conveyor tunnel, the quarry became operational early in 2007, with a considerable reduction in disturbance due to operation and transport.
- **Bargny quarry, Senegal:** planting of jatropha on the quarry area not yet operated, covering some 150 hectares. This biofuel crop will make for savings in fossil fuels while making the most of the land available and also providing employment for local labor.

OPTIMIZED CHOICE OF ENERGY SOURCES

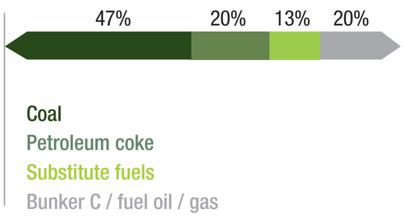
The choice of the fuels used in cement plants systematically integrates environmental parameters. This can mean choosing fuels emitting less CO_2, such as gas, or using substitute fuels whenever a waste-collection scheme is industrially and economically viable (subject to approval by the relevant regulatory authorities).

In France, the new substitute-fuel process developed with a partner in 2005 has meant large quantities of shredded solid waste have been burned, thereby considerably reducing the amount of voluminous waste disposed of at landfill sites and also reducing consumption of fossil fuels by the Saint-Égrève and Xeuilley cement plants.

upgrading

Bag house, Rufisque cement plant, Senegal
The investments made in 2007 enable the Group to consolidate its performance, already one of the best in the profession in terms of dust emissions

Breakdown of fuels in 2007



The drop in the proportion of substitute fuels used is chiefly due to the large increase in production by plants in emerging countries where substitute fuels are not yet an economically viable proposition, and also to the lesser availability of substitute fuels in France and in Switzerland.

Two new initiatives involving biomass fuels are in progress in Senegal and in Egypt. They are intended to develop crops producing fruit that can be used as fuel without processing. They will be subject to a study for qualification under the Clean Development Mechanism in order to obtain CO_2 emissions credits.

WATER MANAGEMENT AND RECYCLING

Water management is an important consideration in the three basic businesses of the Group:

In the cement business, water is used for cooling purposes only, and the Group is developing means of minimizing extraction from the natural environment by putting emphasis on recycling and capture of rainwater.

In the ready-mixed concrete business, water is used both as mix water in the concrete and also for washing plant and vehicles. In France, the ready-mixed concrete business has undertaken a water management program. The design phase is nearing completion, and the project should enter the implementation phase in 2008.

In the aggregate business, while large volumes of water are required for washing materials, there is compensation in the form of recycling systems, as at the Sablières du Grésivaudan site, where a closed-circuit system is employed.

REDUCTION OF DISTURBANCE

The Group at all times pays close attention to the issue of disturbance that might be caused by its industrial activities, and how to reduce it. Consequently, pollution emissions are monitored constantly, and action plans are implemented to lower emissions levels.

	% of 2007 clinker production covered by analysis	Total emissions tonnes		Emissions g/t of clinker	
		2006	2007 (1)	2006	2007 (1)
Dust	89.0%	962	515	99	56
SOx	72.3%	2,573	1,981	456	373
NOx	51.6%	11,483	9,076	1,493	1,221

1) Excluding emissions data for the Rufisque plant which were not deemed to be representative. This data detracted from the average results in 2006; the situation should be improved in 2008 as a result of recent investments and no longer distort the average attained in the other plants.

substituting
Jatropha nursery, Senegal
The Group is developing jatropha plantations to provide biomass fuel as a substitute for fossil fuels

In 2006 and 2007 a stringent action plan was undertaken to considerably reduce the dust emissions of cement plants:

- **In France,** installation of bag houses at Montalieu and Créchy to replace electrofilters,
- **At Rufisque, in Senegal,** installation of bag houses for kiln No. 3 in July 2007 and for kiln No. 4 in January 2008,
- **At Konya in Turkey,** installation of a bag house to replace the existing electrofilter.

Another illustration of the efforts made by the Group is the investment made this year at the Montalieu plant, which substantially reduced sulfur dioxide emissions.

This quite substantial investment will strengthen the Group's position among the best industry performers in terms of dust emissions.

GREENHOUSE GAS EMISSIONS

In all the countries where the Vicat Group works, action has been taken to contribute to the collective effort aimed at reducing greenhouse gas emissions. For the cement business this chiefly concerns CO_2 emissions resulting from decarbonation of limestone and from fuels used to fire kilns.

An emissions quota mechanism was established in the European Union in 2005. In France, the only country in which the Group operates that is concerned by the measure, the 2,520,290 tonnes of emissions allocated to the Group proved to be insufficient to cover the actual 2007 emission level of 2,589,418 tonnes, because of the flourishing market and the scarcity of biomass fuels. Despite efforts to find fuels generating lower emissions, the Group was forced to selectively limit certain shipments from France for the export market and to purchase 60,000 tonnes of emissions allocations in order to meet its obligation to surrender emission rights.

Total emissions from Vicat Group cement plants amount to close to 9 million tonnes of CO_2, and vary with the volume of sales. CO_2 emissions per tonne of clinker were slightly up in 2007, at 825 kg (0.9%), after a drop in 2005 when the El Arish plant converted to gas.

For the medium term, the Group is developing cements incorporating additives (limestone or pozzolanic fillers, blastfurnace slag, flyash) wherever applicable standards allow and is endeavoring to reduce fuel consumption by improving the thermal efficiency of its plants. The Group is also working towards greater use of low-CO_2-emission fuels (substitute fuels or, in the case of Egypt, gas) or emission-neutral fuels derived from biomass (jatropha project in Senegal). We are also studying other alternatives (emissions trading under the Clean Development Mechanisms, new products, etc.).

14.2 million
tonnes of cement sold

8.8 million
cubic meters of concrete sold

22.6 million
tonnes of aggregate sold

Three businesses, nine countries

The Group carries out its main businesses—Cement, ready-mixed Concrete, and Aggregate—in nine countries. These businesses represent more than 85% of operational sales. In France and Switzerland the Group is also involved in other activities complementing its main businesses.

- **CEMENT**
- **CONCRETE & AGGREGATE**
- **OTHER PRODUCTS & SERVICES**

France
The historic cradle of the Group, home to all three businesses, generates 46% of corporate sales.

United States
The Group has been operating in the US since 1974. It currently works on two separate regional markets: in California, near Los Angeles, and in the south-eastern region, in Alabama.

Italy
The Group has been working in Italy since 2003. It has a cement milling plant in Sardinia and two terminals on the mainland.

Switzerland
The Group has been working in Switzerland, especially in the western part, since 2001 when it acquired Vigier.

Turkey
The Group has been in the country for more than 15 years, and has two cement plants there covering Anatolia and the Mediterranean coast.

Egypt
Sinai Cement, located in the Sinai Peninsula, near the port of El Arish, was acquired in 2003.

Senegal
The Group has been the main cement company in the country since 1999 and is also involved in the aggregate business.

Mali
In Mali, a developing market, the Group has a distribution facility in the capital, Bamako.

Kazakhstan
Kazakhstan is the latest country the Group has invested in, building a 1.1-million-tonne greenfield cement plant there as of 2007.

Montalieu plant, France

FRANCE

- CEMENT
- CONCRETE & AGGREGATE
- OTHER PRODUCTS & SERVICES

€1,028 million
in sales

2,644
employees

36% 41% 22%

Breakdown of operational sales

CEMENT

5 **cement plants**

3.9 million
tonnes of cement sold

National economy
For the year as a whole, the economy improved 1.9% in 2007, after 2.2% in 2006, the decrease being the result of a sharp slowdown in the fourth quarter. Private-sector consumption remained high and corporate investment accelerated. Nevertheless, future prospects are looking gloomy, chiefly because of the rise in oil and raw-materials prices, further aggravation of the financial crisis rooted in the United States, and the continued appreciation of the euro.

Industry background
The French government's international and economic affairs department (DAEI) presented its estimates for business and employment in the construction industry for 2007, showing 4.3% growth in sales, i.e. double that of the general economy, and creation of 60,000 jobs.

Growth in the sector therefore progressed at a high rate in 2007, especially in the public-works sector (+7.3%). Business in construction and public works reached record levels in 2007, exceeding the figures for 1990. The construction sector has thus asserted its role as a driving force in the French economy and remains a strong source of job creation.

Building
In the building industry, which accounts for about 78% of sales in construction and public works combined, growth was 3.1% in 2007, due especially to progress in the new non-residential building sector (+6.1%) and housing maintenance (+3.4%). New housing project startups plateaued out at a high level in 2007, with 427,000 residential units begun.

Public works
Public works, which account for about 22% of sales in construction and public works combined, also performed well in 2007 with growth of about 1.3% in volume terms and 7.3% in terms of sales. These results are due to increased spending by local authorities and greater central-government investment.

Cement consumption

thousands of tonnes	2006	2007	Variation
Domestic production	22,615	23,158	+2.4%
Imports	1,237	1,450	+17.2%
Total consumption	**23,852**	**24,608**	**+3.2%**

Montalieu cement plant
There was major investment in this plant between 2005 and 2007, increasing output and reducing production costs

Building on an increase in cement consumption of more than 6% in 2006, consumption increased by more than 3% again in 2007. The lower increase than in 2006 is the result of reduced growth in new-build construction, sufficient to counter the strong growth in public works.

Commercial activity

Sales in France increased 2.4% in 2007. For an equivalent number of working days, the increase from 2006 to 2007 amounts to 2%. Of note is the great increase in sales to the end of April 2007 (+9.1%) as a result of particularly favorable weather in the first quarter of 2007.

▶ Volume sales of artificial cement

thousands of tonnes	2006	2007	Variation
Domestic	3,474	3,556	+2.4%
Export	269	188	-30.1%
Total	**3,743**	**3,744**	**=**

On the contrary, with harsher weather in the last quarter of the year, there was a substantial drop in sales which canceled out a large part of the progress made earlier in the year. The average net selling price from plant gates in France increased 5% in 2007, after a rise of 4.1% in 2006.

The Group's export sales fell back 30% because of the high domestic demand at the start of the year and the decision to give preference to selling in France at higher prices. In the last quarter, export sales picked up well again after the buildup of stocks in August.

Plant operation

After a first half characterized by very strong pressure on plant output as a result of exceptionally good weather and the shutdown of the Montalieu plant for capacity-increase work, the second half of the year was characterized by regular operation of the plants and record outputs.

Fine tuning of the raw mill and modification of the kiln at Montalieu raised the capacity of the plant to more than 4,000 tonnes per day, still using more than 40% substitute fuels in lieu of fossil fuels.

Production costs in 2007 were hit hard by the rise in solid fuel prices and by the need to transfer products to meet market demand. Renegotiation of the electric power contract and an increase in "material beneficiation" partially offset the effects of these increased costs.

Environment

The investments made in 2007 resulted in a substantial reduction in sulfur dioxide emissions from the Montalieu plant. To comply with changes in regulations, a system for reducing nitrogen oxide emissions by injecting ammonia was installed in the plant's exhaust stack.

reducing

Vertical raw mill, Montalieu
The new mill reduces power consumption, energy consumption, and sulfur dioxide emissions

In 2007 the Group approached the French and European authorities regarding two potentially dangerous issues for the cement industry: the preparation of a European directive on the reduction of greenhouse-gas emissions for the period 2012–2020, and the recasting of the IPPC directive (Integrated Pollution Prevention and Control) which sets the limits for the main pollutants emitted by the industry.

The President of France is to be congratulated for the position he expressed in a letter to the European Commission, urging that measures be taken to protect industries consuming large amounts of energy by placing a "carbon tax" on products imported from countries that have not signed the Kyoto Protocol.

Safety

Shaken by two fatal accidents, Vicat commissioned a safety audit of all its facilities by an independent consultant and set up a reinforced safety training program. The conclusions of the audit were taken into account in the programs for plant maintenance and modification and a special budget was set aside to remedy points that could be hazardous.

Having already been certified ISO 9001 then ISO 14001, the La-Grave-de-Peille cement plant has now been given OHSAS 18001 certification. OHSAS 18001 is recognized as the benchmark for Health & Safety Management Systems certification, and drives continuous progress. In the light of the positive experience at the La-Grave-de-Peille plant, the process for Quality, Safety, and Environment certification of all the plants is to be engaged.

4,200 t/d
(kiln capacity)

Investments

The main investments made in France in 2007 under the "Performance 2010" plan concerned the Montalieu plant:

- A new vertical raw mill was put into service. It recovers the hot exhaust gas from the kiln to dry the raw material, thereby making energy savings. It is fed from a new marl homogenization store (cover photo) that is connected to the Enieu quarry by an overland conveyor close to 2 kilometers long.
- The preheating tower and kiln of the plant were modified to raise production capacity from 3,600 to more than 4,000 tonnes of cement per day. The work in progress on the system feeding raw meal to the kiln will raise capacity to 4,200 tonnes per day, with the possibility of burning more than 40% substitute fuels.


Houches batch plant, Upper Savoy

CONCRETE & AGGREGATE

138
concrete batch plants

49
aggregate quarries

Industry background

Continuing the momentum of a very successful year in 2006 (+10% for readymix, +4% for aggregate), 2007 again saw positive performance in both businesses. However, there was a slowdown towards the end of the year, with two negative months in November and December as demand ran out of steam, especially in the building sector.

2007 featured a new readymix production record, reaching nearly 45 million cubic meters, i.e. close to 4% more than in 2006 which had already achieved an exceptionally high figure.

In 2007, aggregate sales also recorded growth of about 4% to reach 417 million tonnes, excluding recycled materials. After several years driven by increased sales for building concretes, 2007 saw a turnaround as concrete deliveries for public works picked up. Good weather in the first quarter boosted roadworks, a big consumer of aggregate.

thousands of cubic meters	Production 2006	Production 2007	Variation (%)
South Central	913	899	-1.7%
East Central	1,754	1,818	+3.6%
North Central	1,577	1,677	+6.3%
Paris region	5,286	5,392	+2.0%
East	1,329	1,374	+3.3%
Southwest	2,689	2,891	+7.5%
North	1,819	2,060	+13.2%
Southeast	4,198	4,473	+6.5%
Alpine region	5,065	5,204	+2.7%
Total	**43,308**	**44,989**	**+3.9%**

Group business: Ready-mixed concrete

Group business increased 3.2% overall in volume terms, relative to 2006. The situation underlying this general increase varied from region to region, however. The southeastern region performed well in 2007 with a volume sales increase of more than 20%, while the Alpine region slumped somewhat, chiefly as a result of large projects coming to an end, and other regions were either aligned on the national trend, or slightly higher.

Group business: Aggregate

After growth of 15% en 2006, Group sales of aggregate rose close to 3% in 2007, to more than 13.7 million tonnes, with many facilities working to maximum capacity.

building

Montmélian, apartments built with concretes supplied by the Group

	2006	2007	Variation
Volumes:			
Concrete (thousands of cubic meters)	3,612	3,728	+3.2%
Aggregate (thousands of tonnes)	13,386	13,735	+2.6%
Numbers of facilities:			
Batch plants	141	138	-3
Aggregate quarries	48	49	+1

Follow-up and treatment of disorders resulting from delivery by Béton Rhône-Alpes (BRA) of aggregate contaminated with gypsum in the Maurienne Valley in 2004 continued through 2007. Legal appraisals concluded that BRA was liable for the disorders, notwithstanding improper use of the materials by some contractors or failure to comply with some building or inspection regulations. BRA has been using these shortcomings to negotiate shared liability. Similarly, to discourage spurious or exaggerated requests for compensation, building and quantity surveyors and other experts examine all the documents pertaining to material and economic loss claims. This examination and critical analysis, together with the settlement of some claims, have resulted in BRA posting a net expense of 19.7 million euros for this issue in 2007.

Environment

A multi-year program for management of water and suspended solids has been launched. Once the design and definition phase has been completed, it will be deployed in earnest in 2008.

A training program for concrete batch plant operators, aimed at making them aware of the environmental constraints affecting the concrete business, amongst other things, has been finalized and practically all staff have been trained.

A website (www.granulats.vicat.fr) went on line in September 2007. It presents what the Vicat aggregates division has done to protect the environment, illustrating, for all to see, the strong, established relations between the quarrying business of Vicat and environmental concerns.

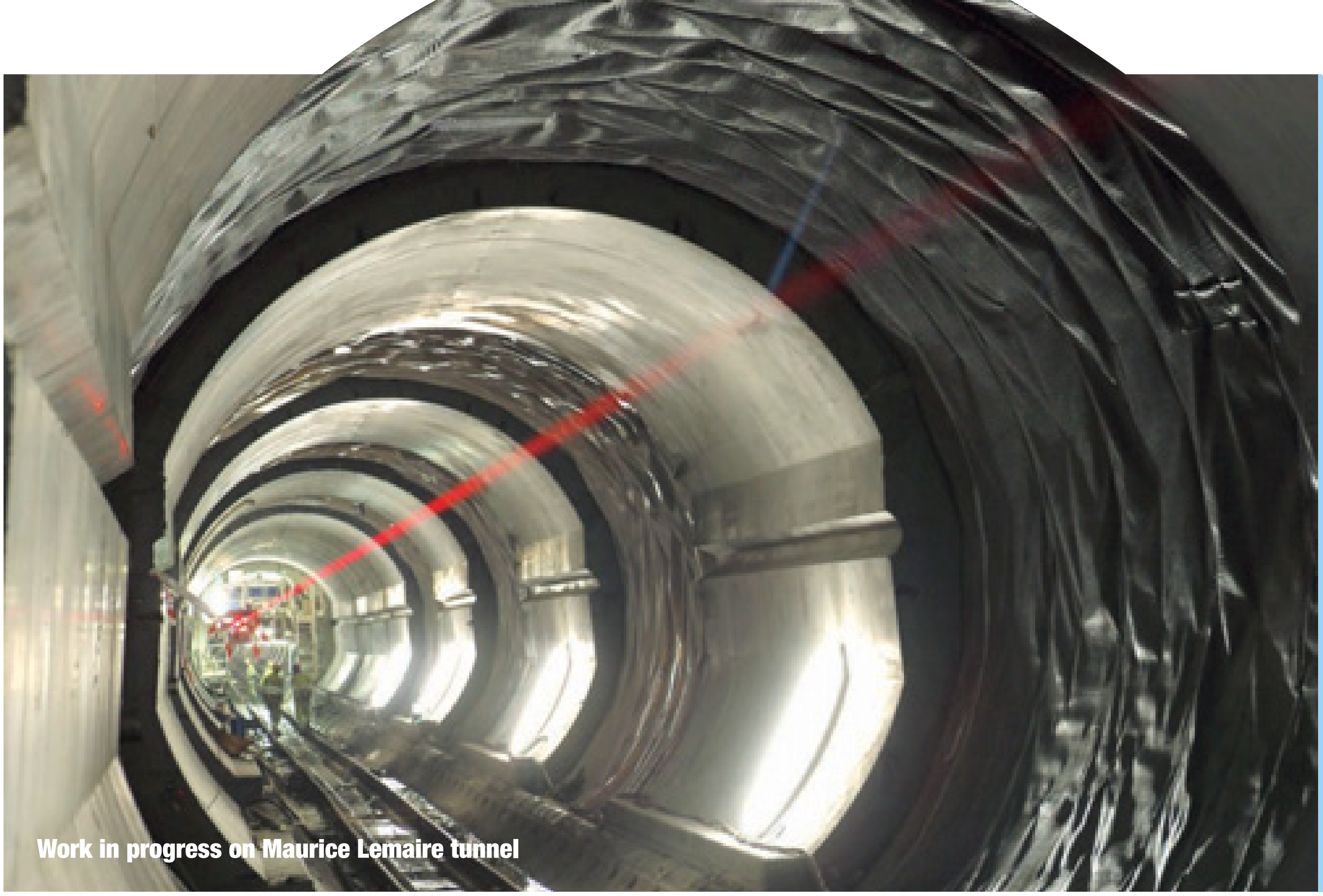
Investments: Ready-mixed concrete

The industrial investments carried out are divided between two main issues:

- Renovation of existing batch plants: Carbonne (south-western), Gerzat (south central), Guarbecques (northern), Belleville (Alpine region), and Villers (north central).
- New batch plants: the Bonneuil batch plant has been in operation since September 2007, and work is in progress for new facilities in the Paris and Alpine regions.

Investments: Aggregate

Plant investments concern the replacement of crushers to optimize production at three rock quarries. In addition, property investment was stressed with a view to consolidating reserves, particularly for Valence, Toulouse, and the Grésivaudan valley. At the same time, authorizations for large areas were obtained for Val de Saône, Bresse Bugey, in the Lyons region, the Paris region, and in eastern France.


Work in progress on Maurice Lemaire tunnel

OTHER PRODUCTS & SERVICES

€274 million
in operational sales

870
employees

SATM & SUBSIDIARIES

Breakdown of sales

in millions of euros	2006	2007	Variation
Transport	89.6	97.3	+8.6%
Major Projects	15.4	24.4	+58.5%
Total	**105.0**	**121.7**	**+13.4%**

MAJOR PROJECTS

In 2007 the Major Projects division saw more business generating higher volumes and sales than in 2006, with both greater activity on projects already in progress and the startup of new operations. The year featured:

- The winning of new, large work packages in connection with construction of the Rhine–Rhône high-speed rail line;
- The end of excavation of the tunnel decline in Modane which forms part of the preparatory work for the Lyons-Turin Alpine rail tunnel;
- The end of lining the emergency tunnel of Maurice Lemaire Tunnel in eastern France;
- The lining of the second tube of Cap La Houssaye Tunnel on the Tamarins road on Reunion Island.

In 2008 SATM will continue to work on the following projects:

- Tamarins road on Reunion Island;
- The Rhine–Rhône high-speed rail line, essentially for supply of concrete for the Chavanne tunnel and four viaducts;
- Preparatory work for the Lyons–Turin rail tunnel / La Praz and Saint-Martin-La-Porte declines.

TRANSPORT

Industry background

The situation for the entire road transport industry was positive, with 7% growth for third-party contracting but a 3% drop for Group transport.
Detailed analysis of this trend reveals there to be a 5.3% rise in national transport while international transport continued to drop 10%.
Service prices varied little in 2007 despite an appreciable rise in operating costs. This stabilization cannot, in the long term, be consistent with rocketing diesel prices.

transporting

SATM site truck

Group business

2007 was a good year for SATM: sales were up 9%, with a 14% improvement in the customer base outside the Group. The company has confirmed its position as a transport broker, generating 86% of its business in freight contracting.

Business grew 13% in tipper transport, 5% in tanker transport, and is developing further into industrial sectors, particularly through the opening of an agency in Malataverne.

Heavy accent was put on service prices in 2007 in order to recover the exceptional increases in costs and reflect the new surge in fuel prices in the fourth quarter.

PAPETERIES DE VIZILLE: PRINTING & WRITING

Industry background

The situation in 2007 was affected by the rising dollar cost of paper pulp (+20%) due to rising wood prices and increased demand in Asia.

Demand for paper in Europe grew only slightly (1%) but the restructuring measures adopted in 2006, and aimed at decreasing production capacity (-5%), have started to produce results, even if the weakness of the dollar worked in favor of some imports. Market conditions enabled selling prices to progress.

Group business

Sales of safety papers, check papers, bulking book papers, and other papers with high value added progressed well.

Production was up 6%, chiefly due to improved optimization of the machine and to the associated product mix.

The modifications made to the steam circuit and after-dryer hood of the paper machine in October resulted in a significant reduction in fuel consumption and a 5% increase in the average production speed.

	2006	2007	Variation
Sales volumes:			
Printing & Writing (tonnes)	26,413	27,719	+5%
Bags (thousands)	72,243	73,289	+1.5%
Sales (millions of euros)	**36.3**	**38.9**	**+7.2%**

PAPETERIES DE VIZILLE: BAGS

Industry background

The paper bag market grew about 3% in western Europe in 2007, chiefly as a result of weather favorable to construction in the first quarter.

Restructuring in the paper industry resulted in high price rises for Kraft paper (about 20%) that bag producers will have to pass on to customers.


VPI plant in Auneau

The two main leaders on the European market are continuing to apply a very aggressive commercial policy, but because of the quality of its service Papeteries de Vizille has been able to consolidate its position as an outsider on the French market.

Group business

Stability in volume terms hides 4.2% growth in sales to third parties and a fallback in sales within the Group.
Significant improvement in production (+3.5%) due to optimization of the cutting head of line No. 1 installed in 2006.

VICAT PRODUITS INDUSTRIELS
(construction chemicals)

	2006	2007	Variation
Sales (in millions of euros)	60.7	71.1	+17.1%
Building	68%	64%	
Home improvement	25%	28%	
Civil engineering	7%	8%	

VPI's business is on three markets which differ by the marketing methods:
- Building, for sales to trade retailers;
- Home Improvement for sale to hardware stores supplying private individuals;
- Civil Engineering for direct sales to large civil engineering contractors.

Industry background

The process of market concentration continued in 2007, especially with further external growth of POINT P and Réseau PRO, to the detriment of independent distributors. Business on the home-improvement market rose soundly and now represents about 30% to 35% of the building products distribution market.

Group business

Business was vigorous on the different markets, with sales consistently up, particularly so in the home-improvement and civil engineering sectors. Production was up more than 10% to close to 340,000 tonnes.

Investments

The new 60,000-tonne-capacity production line at the Auneau plant was put into service in July 2007. The fully-automated line consists of a bank of silos storing the main raw materials, fully-automated proportioning systems, a mixer, and a packaging line with 4 in-line baggers, a palletizer, and an automatic hooding machine.

UNITED STATES

- CEMENT
- CONCRETE & AGGREGATE

€363 million
in sales

1,222
employees

Breakdown of operational sales

CEMENT

2 cement plants

2.1 million
tonnes of cement sold

National economy

While the economy registered growth of 2.2% for the year as a whole, there was constant slowdown in the last quarter which saw growth of just 0.6%.

The rise in the consumer price index, excluding energy and foodstuffs, was 2.3% in 2007, which is higher than the comfort level of 2.0% set by the Federal Reserve.

Employment statistics worsened substantially in December, with a 0.3% rise in unemployment for the month, making 5% at the end of the year, the highest figure since November 2005.

The subprime crisis and the severe housing recession that started in the fall have resulted in a constant series of downward revisions of the short and medium-term growth forecasts; the prospect of recession in the United States is considered to be probable by a growing number of economists.

Industry background

Business in the construction sector dropped ever lower throughout the year, led by the private housing sector. The combination of a large reserve of second-hand homes (4.4 million at the end of November) and new housing (equivalent to 9.3 months of sales), a depressed labor market, credit restrictions, and defaults on subprime payments leaves little hope for recovery in the housing sector before the end of 2008, at the best.

The construction sector as a whole is 3.1% down on its level of November 2006: rises of 17% in the private non-residential sector and 12.1% in public works were not enough to compensate an 18.4% drop in residential construction.

At the end of 2007, cement consumption in the United States had dropped 9.7% relative to 2006. At the national level, the 30.8% drop in imports, amounting to more than 10 million tonnes, absorbed more than its share of this reduction.


Lebec cement plant, California

The situation varies significantly from state to state, the housing sector being the determining factor in the differences. Florida, for example, which depends to a great extent on housing, saw a recession of 30%.

The Southeast was less affected, with figures above the national average, i.e. a drop in consumption of only 6.2%. Post-hurricane reconstruction (after hurricanes Rita and Katrina) explains the good levels of cement consumption in Mississippi.

California experienced a more pronounced recession, at 14%, with the slowdown intensifying towards the end of the year.

▶ Cement consumption

thousands of tonnes	2006	2007	Variation
Alabama	1,793	1,751	-2.3%
Georgia	4,471	4,002	-10.5%
Tennessee	2,221	2,176	-2.0%
North Carolina	3,042	2,929	-3.7%
South Carolina	1,714	1,475	-13.9%
Mississippi	1,156	1,153	-0.3%
Total, Southeast	**14,397**	**13,486**	**-6.3%**
Northern California	4,731	3,913	-17.3%
Southern California	9,526	8,260	-13.3%
Total, California	**14,257**	**12,173**	**-14.6%**
Total, United States	**118,801**	**107,249**	**-9.7%**

Commercial activity

▶ Sales volume

thousands of tonnes	2006	2007	Variation
Total	2,145	2,127	-0.8%

Against this particularly unfavorable market context, sales volumes diminished slightly (0.8%); the 4.8% drop in California was not totally compensated by a rise of 2.5% in the Southeast due to a drive to win back historical market share.

Moreover, even if imports decreased substantially on the whole, massive foreign deliveries from time to time created temporary situations where offer was well in excess of demand in some areas, with the natural consequences on prices. In California, December prices were marginally up (+0.4%) relative to the same time in 2006, and in the Southeast they were up more than 13%. The variation between the two regions is continuing to diminish in favor above all of the Southeast.

Jobsite in Los Angeles
Mixer trucks and concrete pumps in action for a sports and entertainment center

Plant operation

The year's production was compromised by the appearance of cracks in the Ragland kiln which was repaired just as soon as the replacement was delivered. This incident caused a shutdown lasting more than 35 days. Customer demand was met, however, by buying in cement or clinker.

Mill No. 3 is still being fine-tuned, with the final tests programmed by the supplier to attain the guaranteed performance levels; these operations will be carried out in the first half of 2008.

All the approvals required to double the use of used tires as a substitute fuel at the Lebec plant were obtained at the end of the year; work is in progress, with the new facilities programmed to be on line in the second quarter of 2008. This will make for a substantial increase in the rate of use of substitute fuels, after ramping up to optimum conditions.

5,000 t/d
(kiln capacity)

Two new facilities for substitute fuels came into service at Ragland, one for injection of sawdust and powders, and one for liquids like glycerin.

Environment

California has laid down greenhouse-gas emissions reduction targets, the first measures for which will come into effect in 2008. We are closely involved in the definition of the new regulations.

Work continued at the Lebec plant to reduce dusting in the clinker store. Special effort was devoted to planting trees and lawns to cut down on wind-blown dust.

Investments

As part of the "Performance 2010" plan it was decided to build a new kiln line at the Ragland plant. It will be a 5,000-tonne-per-day kiln with the corresponding plant for handling, homogenizing, and crushing the raw meal. The building permit application was filed at the end of the year, targeting issue of the permit for the first half of 2008. The main work packages have already been put out to tender.

Work continued on opening new quarries for the cement plants, and the new Ragland quarry is ready for operation.

CONCRETE

44
batch plants

2.6 million m³
of concrete sold

Industry background

The slump of the housing market is the key factor affecting the ready-mixed concrete market, especially in the last quarter; together with public works, the industrial and commercial sectors maintained healthy levels of activity, although there was a tendency for project starting dates to be postponed.

Group business

	2006	2007	Variation
Concrete volumes (thousands of cubic meters)	3,136	2,609	-16.8%
Number of batch plants	44	44	=

The evolution of volume sales varied from region to region, being determined by business in the housing market. San Joaquim Valley in Central California was the most severely affected area, with a 27% drop in volume over the year. Southern California was less dramatically affected since the market there is more mature and business in public works remained sound; the drop was 14.3%.

Alabama generally, and the north of the state in particular, was less critically affected, and commercial action kept the drop in volume sales to 1.3% despite unusually harsh weather in December.

Despite the global drop in business, price levels in December were up 3.4% in the Southeast and 1.7% in California.

Environment

The work for environmental upgrading of our ready-mixed concrete batch plants in the Southeast was finished on schedule (Rainsville and Wetumpka plants).

Investments

In addition to the aforementioned investments aimed at reducing environmental impact, the slowdown in the construction business made it possible to proceed with the gradual replacement of vehicles—mixer trucks, and tractors and semitrailers for cement and aggregate—under advantageous economic conditions.

ITALY

CEMENT

€42 million
in sales

28
employees

100%

Breakdown of operational sales

CEMENT

1 milling plant

0.5 million
tonnes of cement sold

National economy

After progressing 2.3% in the first quarter and 1.8% in the second, growth in the GNP for the year as a whole slowed down for the second year running, especially in industry, finishing at just 1.7%. Inflation for 2007 is estimated to be close to 2.0%.

For 2008 GNP growth is now expected to be only 1%, compared to previous forecasts of 1.5%, and the estimate for 2009 is little different at 1.1%. The American subprime crisis, deterioration of the world economic situation, and ever-climbing oil prices are the main reasons for this expected slowdown.

Industry background

The positive trend of the construction industry observed in 2006, particularly in the housing sector, slowed down considerably, and 2007 finished with investment in the building industry just 0.9% up (after growth of 2.1% in 2006 relative to 2005). This modest result combines a rise in private-sector construction with a decline in investment in the public sector.

Sales of new residential buildings fell off, against the backdrop of the subprime crisis, and after three consecutive years of growth, a drop in sales of 5 to 10% is expected for 2008.

A new €118-billion public-works plan for the period 2008–2012 was approved in 2007. The works concerned are the development of high-speed rail lines and renovation and extension of the motorway network.

Cement consumption

According to the first estimates of the Italian cement manufacturers association, AITEC (Associazione Italiana Tecnico Economica de Cemento), Italian cement consumption declined in 2007:

millions of tonnes	2006	2007	Variation
Total consumption	46.9	46.1	-1.6%

Oristano milling plant, Sardinia

Commercial activity

▶ Evolution of sales

thousands of tonnes	2006	2007	Variation
Total	540	509	-5.7%

The slide in sales reflects the general context of the market and tight competition. In Sardinia, a number of projects that would potentially have been consumers of bulk cement did not get under way as expected. In Imperia, more regular supplies of cement enabled progress to be made. Generally speaking, 2007 did not reproduce the same exceptional business as in 2006.

There was a limited price rise in the first quarter, with more rises at the end of the year in the Taranto and Imperia regions.

Plant operation

Production at Oristano suffered from the weather conditions, having a negative effect on production costs because of lower output during the winter months. The new palletizer is now operating, eliminating the requirement for a third shift and therefore reducing personnel costs.

In the second half of 2007 the company was able to obtain flyash, which is now used to manufacture 32.5 cement. The new product, "Calce Clessidra" (bagged cement with low clinker content) has been on the market since early December.

Environment

CCS has undertaken major work to reduce the impact of handling at the Oristano site.

▶ New hoppers and an elevator have been ordered, work has begun, and the new facilities will be operational in mid May 2008.

▶ It is planned to acquire dust-free hoppers for the port in 2008.

Investments

A series of modifications is being prepared for the Oristano facility: new loading point, new routing for trucks, weighing and access control system for shipments.

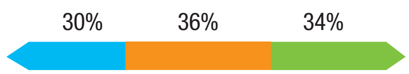
In addition, a new roofed storage facility is being designed, and new chromium VI treatment facilities will be ordered shortly.

SWITZERLAND

- CEMENT
- CONCRETE & AGGREGATE
- OTHER PRODUCTS & SERVICES

€242 million
in sales

1,031
employees



Breakdown of operational sales

CEMENT

1 cement plant

0.7 million
tonnes of cement sold

National economy

Following on from 2.7% in 2006, the growth in the GDP in 2007 was 2.6%, due largely to the major stimulus of external trade for the third year running, but also to a 2.5% increase in household spending. Unemployment continued to decrease, reaching 2.8% of the active population, after dropping 0.4 points in 2006. Inflation is still low but is expected to accelerate substantially, as throughout the rest of Europe.

Industry background

The building industry maintained a high level of business. The predicted drop in the housing sector occurred as expected but was compensated by the buoyancy of the private sector and by the upward swing in infrastructure investment.

2007 saw a slight improvement which is expected to be confirmed in 2008 with more work on large projects such as the Biel bypass and, above all, the Gotthard Tunnel, the longest rail tunnel in the world, on which the pace of work is expected to accelerate: the injunction concerning the award of a works package was lifted in December 2007, so work on this phase of the project can resume.

Swiss cement consumption has remained at a high level since 2005. In 2007, the quantities of cement produced in the country increased as a result of a particularly dynamic first half.

Cement consumption

thousands of tonnes	2006	2007	Variation
Cement consumption	4,556	4,563	+0.2%

Commercial activity

Evolution of sales

thousands of tonnes	2006	2007	Variation
Total	708	724	+2.2%


Reuchenette cement plant

Sales for 2007 set a new record, on top of a very brisk year in 2006. The Vigier Group consolidated its historic positions and attracted new clients through its policy of long-term relations.

Having lost some ground in 2006 because of a less favorable product mix (more special cements for the Lötschberg Tunnel project) and a strategy for winning new customers, selling prices resumed their upward movement against consolidation of commercial positions.

Plant operation

High volumes of cement sales put a good deal of pressure on the Reuchenette production plant which is currently operating at its maximum clinker production capacity.

Production costs have dropped despite the clear-cut rise in the cost of raw materials, not to mention the statutory requirement to add ferrous sulfate to the cement produced in order to reduce chromate content.

Contrary to 2006 when a single kiln shutdown was necessary, a maintenance shutdown was required in September in 2007. In addition, the end of the year was marred by numerous small incidents that penalized kiln output, especially unannounced power outages due to poor weather conditions.

Nevertheless, the increased volumes of cement sales and tight control of personnel costs and plant costs canceled out the unfavorable effect energy costs had on production costs. The rate of use of substitute fuels deteriorated substantially in 2007 under the combined effect of scarcity of used oil on the market and the increased demand for fuel due to higher sales.

Environment

The Swiss cement industry in general and Vigier in particular are fully compliant with their CO_2 and NOx commitments. Negotiations have begun for the new CO_2 agreement in Switzerland, and the Vigier Group is highly involved.

Investments

Work continued on the ambitious program for electrical refurbishment of the plant. In addition, the company installed an additional truck loading point, making it possible to keep up with the challenge of meeting increased demand for cement.

In 2007 Vigier placed an order for increasing production capacity in readiness for 2010. This strategic investment is accompanied by a facility for burning shredded solid waste as a substitute fuel.

For the shorter term, the capacity of the solvent pumps is to be increased substantially so that more of this kind of substitute fuel can be burned.

Lastly, a new wastewater storage facility was put into service in 2007, now enabling this water to be "burned" in the kiln.

equipping
Lötschberg Tunnel
Railroad using the Vigier Group's concrete tie system

CONCRETE & AGGREGATE

19
concrete batch plants

19
aggregate quarries

Industry background

The concrete and aggregate market remained buoyant, with flourishing business in the private sector compensating the backslide in the housing market.

Business on the regional ready-mixed concrete markets on which Vigier is present (Biel, Solothurn, Fribourg, Bernese Alps) was brisk. The aggregate market performed in much the same way as the concrete market, with volumes high as a result of vigorous activity in infrastructure construction.

Group business

The key event in 2007 in the Concrete & Aggregate business was the acquisition of the Astrada Group. Because of the size of this acquisition, it was decided to revamp the regional breakdown of the Vigier Group's concrete & aggregate business by creating a fourth region.

This acquisition considerably strengthens the Group's position, particularly in its market core.

	2006	2007	Variation
Volumes:			
Concrete (thousands of m³)	440	612	+39.1%
Aggregate (thousands of tonnes)	2,264	3,001	+32.6%
Numbers of facilities:			
Batch plants	18	19	+1
Aggregate quarries	14	19	+5

For the ready-mixed concrete business, in addition to the beneficial effects resulting from acquisition of the Astrada Group (+122,838 m³), the exceptionally large volumes required for the Aldi project in the Fribourg region amply compensated the end of deliveries for the Lötschberg Tunnel project.

At constant scope of consolidation, the volumes of aggregate produced by Vigier increased 10%. Including the acquisition of Astrada, the increase was more than 32% (+699,000 tonnes).

Investments

2007 saw the start of a number of renovation and construction programs aimed at modernizing production facilities, especially:

- **Bernese Alps:** commissioning of a new concrete batch plant in Interlaken, to replace two old plants (Interlaken and Därligen); renovation of the Emme aggregate plant.
- **Fribourg:** start of construction of a new aggregate plant to replace the old one at the Saint-Ours facility.

OTHER PRODUCTS & SERVICES

€92 million
in operational sales

575
employees

PRECASTING

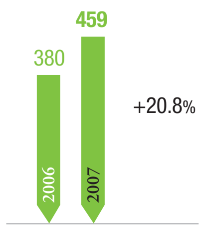
Industry background

The precast concrete products sector was driven by very strong demand for concrete products, especially garden items. In fact, demand was so strong that suppliers Creabeton and Desmeules had difficulty meeting requirements at the height of the summer season.

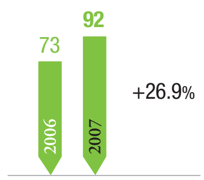
Commercial activity

With the acquisition of Astrada, the precast concrete products portfolio was enriched by the Fritschi range of polymer concretes. The Creabeton brand is now the undisputed leader in its field, with a very wide range of products. This advantage enabled the company to benefit very fully from the liveliness of the market.
The railway sector too had a good year, winning back old customers. This was not sufficient to fully compensate the volume drop due to the completion of the Lötschberg Tunnel project, however.

Volume sales
in thousands of tonnes



Operational sales
in millions of euros



The acquisition of Desmeules Frères contributed extra sales of about 15 million euros.

Plant operation

The very vigorous nature of the market constituted something of a challenge for the manufacturing plant of the companies. Synergies with the recently acquired Granges facility were practically immediate, and production gains were made.

Investments

The program for enhancement of the Lyss facility continued, with a new paver machine coming on line in the first half and work on the technical workshop being completed. The project for a new slab machine got under way at the Granges site which is also to benefit from other work aimed at making it the Creabeton platform for the French-speaking (eastern) part of Switzerland.

TURKEY

- CEMENT
- CONCRETE & AGGREGATE

€202 million
in sales

875
employees

Breakdown of operational sales

CEMENT

2 cement plants

3.0 million
tonnes of cement sold

National economy

Turkey's economic growth was sound in 2007, with GDP up about 4% despite disappointing performance in the two main growth sectors, industry and construction, in the second half of the year.

The consumer price index was up 8.4% for the year. This inflation was generated by the rise in energy prices and a severe summer drought which pushed up the prices of agricultural products.

Industry background

A drop in interest rates for housing loans, in conjunction with the relatively stable economy, meant the construction market performed well, progressing about 10%. This is a global figure, however, that masks variations:

- some strong geographical disparities, with business in some areas, notably the Marmara and Aegean regions, improving while other areas slipped back,
- market growth was strong in the first months of the year, then slowed down during successive phases of elections.

Cement consumption for 2007 is estimated at 42.5 million tonnes, which would represent a 2% increase relative to 2006 and a slowdown in growth: it will be remembered that 2006 saw growth of 17% relative to the year before. Cement consumption per head of population is therefore about 600 kg in 2007.

Cement consumption

thousands of tonnes	2006	2007	Variation
Marmara	12,751	13,326	+4.5%
Aegean	4,760	4,897	+2.9%
Mediterranean	4,886	4,859	-0.6%
Black Sea	5,502	5,211	-5.3%
Central Anatolia	8,165	8,088	-0.9%
Eastern Anatolia	1,903	1,800	-0.2%
Southern Anatolia	3,643	4,175	+14.6%
Total	**41,610**	**42,456**	**+2.0%**

performance

New kiln, Bastas Çimento
Commissioned at the end of 2007, the new kiln uses the latest technologies and achieves excellent energy performance

Variations in cement consumption from one region to another reflect the situation in the construction market which was thriving in the Marmara and Aegean areas and up in Southern and Eastern Anatolia due to the political will to develop that part of the country, whereas in Central Anatolia, an important area for Group business, construction declined relative to 2006.

Commercial activity

The commercial activity of the Group in Turkey in 2007 was marked by two phenomena:

- The slide in cement consumption in the main market areas, as referred to above;
- Intensification of competition.

Evolution of Group sales

thousands of tonnes	2006	2007	Variation
Cement (Bastas + Konya)	2,854	2,906	+1.8%
Lime (Bastas)	68	64	-6.0%

Average selling prices for the year as a whole were up for Bastas and down for Konya, particularly as a result of a dip at the end of the year.

Faced with this situation on the domestic market, the Group seized the opportunity to develop its export business to Iraq, Syria, and Russia. It consequently exported 141,000 tonnes of cement in 2007.

Plant operation

To meet customer demand, both the Bastas and the Konya plants increased their output relative to that of 2006. By the end of December 2007, the Group's Turkish plants had produced 2.1 million tonnes of clinker and close to 2.9 million tonnes of cement.

As in 2006, though to a lesser extent, the Bastas plant had to resort to buying clinker from Konya Çimento, and also from third parties, in order to meet demand.

To further enhance efficiency and improve synergies between the different facilities, the Turkish entities are participating in the Group's project for computer-aided maintenance. The project started in Turkey in the first half of 2007 and will be completed in 2008.

Investments

As planned under the "Performance 2010" plan, two major investment projects were carried out in Turkey in 2007:

- At Bastas, the new kiln line was put into service in December 2007. The kiln of ultramodern design, procured from Polysius, will provide excellent energy performance. In addition, it is designed to facilitate consumption of large quantities of substitute fuels. Its production capacity is 4,000 tonnes of clinker per day using 70% substitute fuel (5,200 tonnes with 100% petroleum coke).

4,500 t/d
(kiln capacity)

Batikent concrete batch plant in Ankara

▶ At Konya, the cement milling capacity of the plant was increased when the new Horomill cement mill came on line in July 2007. The new 110-tonne-per-hour mill completes the program for making the clinker and cement production capacities of the plant coherent.

Environment

The cement plants of the Group were the first in Turkey to use the best available technologies for dedusting cement kilns by changing from the two electrofilters on the kilns of the Konya plant to a bag house in the first quarter of 2007.

In addition, environmental actions were also carried out in quarries, particularly in the Konya trass quarry where 3,000 trees were planted. Nationwide, close to 13,000 trees were planted in 2007.

CONCRETE & AGGREGATE

24
concrete batch plants

6
aggregate quarries

Industry background

Ready-mixed concrete production in 2007 is estimated to be 60 million cubic meters, down 15% on 2006. This drop comes after several years of large rises: the growth from 2005 to 2006, for instance, was 53%.

While volumes sold in 2007 dropped, the number of ready-mix companies and facilities in the country increased by 10%, to 790, at the same time. Competition is therefore stiffer, inducing significant cuts in concrete prices.

Aggregate consumption in 2007 is estimated to be 300 million tonnes for all of Turkey and for the following uses:

▶ 200 million tonnes for concrete and precasting;

Karaömerler aggregate plant

▶ 100 million tonnes for road building and asphalt.
Since the market is shared by 750 producers and the total production is greater than demand, prices are coming down.

Group business

In 2007 our ready-mixed concrete business was marked by:

▶ the situation in the construction industry, which is in recession in our market areas. Volumes of concrete sales in the city of Ankara fell 9% in 2007 (7,700,000 cubic meters, after 8,500,000 cubic meters in 2006);

▶ a reduction in the number of tourist accommodation projects in the Mediterranean region of Antalya subsequent to a law restricting foreign investment;

▶ increased competition with the appearance of new players and facilities. In Central Anatolia, for example, the number of concrete batch plants rose from 135 in 2006 to 149 in 2007, i.e. up 10%.

As a consequence, our volume sales amounted to just 1,897,000 cubic meters in 2007, down 26%.

Against this backdrop, we preferred to give priority to protecting our margins rather than look for sales volume.

With its 6 facilities (4 in the Ankara region, 1 in Konya, and 1 in Antalya), the Group's aggregate business carried out by Tamtas leads the Ankara market. Aggregate sales in 2007 amounted to 3.9 million tonnes, up 2% by volume.

▶ Evolution of Group sales

	2006	2007	Variation
Concrete (thousands of cubic meters)	2,549	1,897	-25.6%
Number of batch plants	23	24	+1
Aggregate (thousands of tonnes)	2,855	3,934	+2.0%
Number of quarries	6	6	=

Environment

Tamtas also undertook work to help preserve the environment:

▶ Reduction in dust emissions (by covering belt conveyors in each plant and using water spray systems);

▶ Tree planting around facilities.

KAZAKHSTAN

▼ CEMENT

CEMENT

1 cement plant under construction

Capacity of 1.1 million tonnes

After examining several projects, the Group eventually finalized the acquisition of 60% of Mynaral, which has quarry operating permits and had launched the construction of a cement plant with capacity of 1.1 million tonnes per year.

The Mynaral project was started by an investment fund, KazKommerts Invest (KKI). The promoter acquired a permit to quarry clay and limestone near Lake Balkhash, about 400 km from Almaty and 900 km from Astana. The Group decided to become a partner in this project only after detailed analysis of its commercial, technical, geological, and financial aspects.

Presentation of the Mynaral project

The acquisition was made by Vigier, the Swiss subsidiary of the Vicat Group. Vigier took a 60% controlling shareholding in the company Mynaral Cement Invest LLP (Mynaral) which owns land and a quarrying license. In addition, Mynaral has engaged contracts for construction of the cement plant. The plant will be built and operated by a subsidiary owned 100% by Mynaral, while Mynaral itself will operate the quarries.

Kazakhstan market and development target

Cement consumption in Kazakhstan amounted to close to 7 million tonnes in 2007. It has grown strongly in the last 5 years. The market is supplied by national manufacturers providing a little over 4 million tonnes per year and by imports from Russia and, to a lesser extent, from Kyrgyzstan.

Apart from the economic slowdown that might occur in 2008 because of the impact of the international financial crisis on the local banking system, this growth trend is expected to continue as the urban population grows, and especially because of the continued growth in per capita revenue resulting from the high income from the raw-materials sector. Bearing this in mind, the projected cement consumption for 2010/2011 is between 9 and 10 million tonnes.

The mismatch between cement supply and demand has led to a substantial rise in selling prices.

creating

computer-generated image of the plant
to be built by the Group in Kazakhstan, showing the possible second production line (transparent)

Because of the high demand, several cement plant projects have been launched in the country. Together with the Mynaral scheme, they will meet the growth in the market.

However, a large part of the current installed capacity corresponds to old, wet-process plants dating from the Soviet era which will gradually be phased out or renovated for environmental or economic reasons when selling prices drop to lower levels.

The Mynaral project is sited on the road and railway connection between Almaty, Karaganda, and Astana and can therefore serve several of the main regional markets of the country: the Almaty area, the Center, the Astana region, and the southern region (Taraz, Shymkent).

To serve these markets in the most economical manner, the company has planned to use rail, which is the usual means of transport for this kind of materials in Kazakhstan, employing a fleet of locomotives and cars and building rail terminals.

Industrial investment project

The site has reserves of high-quality raw materials, with large quantities of limestone and clay (reserve supplies for about 100 years have been identified) for which Mynaral possesses an initial quarrying license for the customary 25-year period.

The plant is being built immediately adjacent to the quarries. Investigations and administrative procedures are in progress to obtain larger secure reserves nearby so that a second production line can be built at the same site.

The plant will be manufactured and erected by China Triumph Engineering under a turnkey contract signed in August 2007. This plant with cement manufacturing capacity of 1.1 million tonnes per year (kiln with clinker production capacity of 3,000 tonnes per day) will use recent, proven techniques (vertical raw mill, 5-stage preheater tower, bag house, roofed clinker store, etc.). The design of the plant was analyzed in detail by the technical services of the Group, in conjunction with the supplier, and the necessary adjustments for optimization of the plant were made. The plant is scheduled to come on line in 2010.

In terms of energy, the plant will be connected to the national high-voltage electric power grid and will use coal as its main fuel. Coal will be sourced from local suppliers, as will the iron oxide and ash used in the cement manufacturing process.

The project represents a total investment cost of about US$230 million.

Project financing

Above and beyond the US$60 million of company equity, the financing requirements of the project will be met through medium-term financial debt in the form of project financing currently being set up.

EGYPT

CEMENT

€85 million
in sales

267
employees

100%

Breakdown of operational sales

CEMENT

1 cement plant

2.0 million
tonnes of cement sold

National economy

The growth in the Egyptian economy was particularly sound in 2007, with the GDP gaining more than 7%. The appeal of the country was not limited to business and investments, for tourism took off and broke through the threshold of 11 million visitors.

This economic boom is nevertheless accompanied by higher inflation which, together with the public debt, remains one of the objectives for economic improvements in 2008.

Industry background

Together with the growth in the country's population, this strong economic progress generated very high demand in the construction sector. Above and beyond this structural trend, there were also other factors affecting the situation in 2007:

- property development groups from Egypt and the Gulf launched projects for the construction of new towns, top-end holiday villages, and marinas in the Alexandria and Cairo areas and on the Red Sea;
- the creation of residential projects specifically targeting the emerging middle class which is growing in numbers;
- the saturation of hotels as a result of the tourist boom has meant new tourist accommodation is being built to meet demand.

The government has also planned a number of infrastructure and social housing projects which will push the existing high demand even higher.

Cement consumption

thousands of tonnes	2006	2007	Variation
Total consumption	30,090	34,500	+14.6%

The trend observed in the first half of the year was even stronger in the second, taking annual growth to the record figure of more than 14%. Cement consumption in Egypt therefore exceeded 34 million tonnes.

The volume of cement exports diminished to close to 4 million tonnes. The effect of the 85-Egyptian-pound tax the government imposed on exported cement and clinker was not as great as expected, however, largely because of very high demand in Sudan and Syria.

El Arish cement plant, Sinai

Due to this strong rise in consumption, the government auctioned six new licenses for construction of cement plants. The new capacity will not come into service before 2010, however.

Commercial activity

Sinai Cement Company continued to grow on the local market, improving more than 30% with a market share of 4.6%.

In 2007, the total volume of cement sales came close to 2 million tonnes; the new line will considerably increase output in 2008.

thousands of tonnes	2006	2007	Variation
Domestic	1,199	1, 565	+31.0%
Export (cement & clinker)	598	418	-30.1%
Total	**1,797**	**1,983**	**+10.3%**

2007 saw the government exerting strong pressure to prevent price rises following the inflationist trend. The market price of bagged cement rose between 14 and 19% over the year, depending on the area.

Plant operation

The kiln operated very satisfactorily in 2007, with clinker production attaining 1,720,000 tonnes.

Improved technical ratios helped mitigate the effect of higher energy costs partly due to implementation of the Egyptian government's plan to reduce energy subsidies to the biggest consumers, over a three-year period, which will generate savings for the State of 2.4 billion US dollars while maintaining a competitive advantage for Egyptian industry.

Environment

SCC is developing a biomass project involving use of a tree, Casuarina, or river she-oak, to produce biofuel. Planting will start near water and a reasonable distance from the plant as soon as land acquisition has been negotiated. A project for accreditation under the Clean Development Mechanism will be associated with this initiative to obtain CO_2 credits.

Investments

As proposed under the "Performance 2010" plan, construction of the second kiln line (5,000 tonnes per day) is progressing on schedule, with startup still programmed for the summer of 2008:

- upline of the cement plant, the crusher and reclaimer are currently undergoing acceptance testing;
- the construction of the kiln line is on schedule, with civil works complete and mechanical engineering work well advanced.

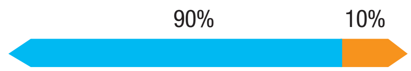
5,000 t/d
(kiln capacity)

SENEGAL

- CEMENT
- CONCRETE & AGGREGATE

€174 million
in sales

588
employees



Breakdown of operational sales

CEMENT

1 **cement plant**

2.0 million
tonnes of cement sold

National economy

With 5% growth in 2007, chiefly driven by the construction, engineering, and telecoms sectors, the economy rose out of the dip of 2006, though with a resumption of inflation which rose to 6%.

Hopes that this recovery will be sustained are taking concrete form in possible solutions for:

- the Industries Chimiques de Sénégal issue, which is about to reach a conclusion;
- the energy issue, which was the cause of the government budget deficit in 2006, has seen significant progress which should reduce load shedding and provide more reliable supplies of hydrocarbons.

Industry background

The building industry experienced steady business in 2007 in the forms of individual housing, the development of cooperatives facilitating home ownership, and the development of social housing.

The construction sector also saw steady business as a result of major roadworks and other large governmental projects, including construction of the motorway between Thiès and Dakar, which is necessary to ease access to and from the capital, and rehabilitation of national highway No. 1 to improve transport to Mali, as well as Blaise Diagne International Airport in Ndiass, the Bargny mineral terminal, and the Diamniadio Platform Project.

Against this buoyant backdrop, cement consumption increased again in 2007 (approximately 5%) to reach close to 2.3 million tonnes.

Commercial activity

Evolution of sales

thousands of tonnes	2006	2007	Variation
Domestic	1,473	1,590	+7.9%
Export	333	349	+4.8%
Total	**1,806**	**1,939**	**+7.4%**

The constant progress of local sales in the last few years helped create tension on the market in the first half of the year, with speculation becoming rife. Despite strong demand

Rufisque cement plant near Dakar

in the subregion, exports had to be cut back and Sococim favored the domestic Senegalese market. At the start of 2007, Sococim raised all prices by about 4%.

Plant operation

The plant's clinker output rose nearly 6% to 1,128,000 tonnes as a result of having a more reliable laboratory and better management of materials at the kiln feed end through implementation of system for continuously correcting the chemical balance of the raw meal.

Production costs were considerably reduced as a result of:
- optimization of raw-meal quality;
- reduced power and thermal energy consumption, together with the reduced cost of heat;
- the positive effect of having a permanent power supply since commissioning of the new on-site power plant, together with its significant effect on the cost per kWh;
- marketing of CEM1-B cement which allows a reduction in clinker content.

Environment

In 2007 Sococim confirmed its commitment to an environmental policy by prioritizing the reduction of dust emissions. This involved setting up two bag houses for kiln No. 3 in July and another bag house for kiln No. 4 in January 2008.

Integration of the plant into its local environment was also improved through construction of a road connecting the plant directly to the main road, enabling trucks to avoid the built-up areas of Rufisque.

Also, Sococim has undertaken to plant 150 hectares with jatropha, a plant whose oil-bearing fruit will be burned directly in the kiln of the cement plant; 300,000 plants grown in specially created nurseries were planted during the rainy season. This labor-intensive work will continue through 2008, and has been put forward for accreditation under the Clean Development Mechanism as a means of reducing greenhouse-gas emissions.

Investments

Sococim Industries is the target of major investment under the "Performance 2010" plan, investment aimed chiefly at increasing production capacity to keep pace with rising cement consumption in Senegal and the subregion, improving plant productivity, and better integrating the plant into its environment.

The main components of this plan are the construction and commissioning of a new vertical cement mill which will add capacity of 900,000 tonnes as of the second half of 2008, and construction of a new Polysius kiln line with annual clinker production capacity of 1.2 million tonnes, scheduled to come into operation in July 2009.

3,500 t/d
(kiln capacity)

Rufisque cement plant near Dakar

AGGREGATE

2 aggregate quarries

1.9 million
tonnes of aggregate sold

National economy

The economic situation of the building and engineering sector in Senegal (and also Gambia, which uses aggregate from Senegal) was excellent once again as regards housing construction and, above all, major infrastructure projects (urban mobility in Dakar, works associated with the Organization of the Islamic Conference, Dakar-Thiès motorway, etc).

Group business

Group business benefitted from the general economic situation in the country, growing more than 34% in volume terms as the productivity of the Gecamines quarry augmented with a second crushing line coming into service at Diack. Selling prices for limestone aggregate increased appreciably while those for basalt aggregate remained stable.

	2006	2007	Variation
Volumes sold			
Aggregate (thousands of tonnes)	1,410	1,893	+34.2%
Number of aggregate quarries	2	2	=

Investments

Investments at Sodevit in 2007 were for the replacement of some quarrying plant and modifications to the crushing plant. For Gecamines, investments involved replacing and expanding the vehicle fleet and completing installation of a second crushing plant at Diack to meet market demand.

MALI

CEMENT

2007 saw sound growth in the GNP which rose 5.1%. Harvests were particularly good in 2007 (19% higher than the average for the last five years), but rising oil prices penalized the national economy.

The construction and engineering sector performed well, driven by major infrastructure projects: 2,000 km of roads, including rehabilitation of the Dakar/Bamako, Bamako/Nouakchott, and Bamako/Conakry corridors; Kénié dam (upstream of Bamako) and Félou dam (Kayes); third bridge over the Niger River in Bamako; extension of Bamako-Sénou airport. The effect of these works was to push cement consumption up close to 9% to about 1.1 million tonnes.

Under these conditions, Group sales attained a total of 233,000 tonnes in 2007. The average selling price is continuing to improve.

Financial Report

Consolidated financial statements

Parent company

Comments
on the key figures on the Group as at December 31, 2007

1. 2007 sales

The 2007 consolidated sales have risen to €2,136 million, i.e. a 2.6% increase compared to 2006. At constant exchange rate and scope, business has increased by 4.3%, which represents a level that has been sustained, given an economic environment affected by the slowdown of the property market in the United States and the climatic conditions noticeably less favourable than those at year end 2006. Consolidated sales were penalized by an unfavourable -2.3% exchange effect due to changes in the dollar, the Swiss franc and the Egyptian pound.

1.1. SALES CONSOLIDATED BY LINE OF BUSINESS

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Cement	929	864	+7.5%	+9.7%
Concrete & Aggregates	914	944	-3.2%	-3.6%
Other Products & Services	293	275	+6.8%	+14.4%
Total	**2,136**	**2,083**	**+2.6%**	**+4.3%**

Consequently, the distribution of sales among the various activities of the Group was marked by an increase in the contribution of the Cement business (43.5% of consolidated sales as opposed to 41.5% in 2006) and Other Products & Services, and a decrease in the contribution of the Concrete & Aggregates business.

1.1.1. Cement

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Volume (kt)	14,155	13,819	+2.4%	-
Operating sales	1,156	1,095	+5.6%	+7.8%
Eliminations	(227)	(231)		
Consolidated sales	929	864	+7.6%	+9.7%

Change in **operational sales** in the Cement business **at constant scope and exchange rate** elicits the following comments:

Activity in **France** has remained well oriented overall with a 7.3% increase in sales with average volumes and selling prices on the rise. In the 4th quarter, volumes were in very slight decline in the domestic market due to less favourable climatic conditions than at year-end 2006.

In the **United States,** sales increased by 3% throughout the year with stable volumes and rising average prices. In the 4th quarter, business was in clear decline, affected by a marked slowdown in the California property market, whereas business in the South-East resisted the trend in this context better at year end.

Sales in **Switzerland** were up by 6.4%, which represents solid performance when the basic unfavourable effect connected with the end of important construction projects is taken into account. Business was particularly dynamic in the 4th quarter despite more difficult climatic conditions. On the other hand, **Italy** showed stagnation in its business with 1.6% sagging in a tight market environment.

In **Turkey,** sales showed a 3.8% increase. In a competitive environment that has remained difficult, the Group was able to take advantage of a number of opportunities in the domestic market as well as export, in particular at year end.

In **Senegal,** sales grew strongly by +16.8% sustained by the increase in volumes and selling prices. The Group's strong local presence allowed it to take advantage of the dynamism of this market throughout the year.

Business in **Egypt** was highly dynamic with a 21.6% increase in sales benefiting from a favourable domestic market environment in terms of both volumes and price.

1.1.2. Concrete & Aggregates

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Concrete volume (thousands of cubic meters)	8,846	9,739	-9,3%	-
Volume (kt)	22,562	20,915	+7.9%	-
Operating sales	950	974	-2.5%	-2.9%
Eliminations	(36)	(30)		
Consolidated sales	914	944	-3.2%	-3.6%

Operational sales in this business decreased by 2.8% at constant scope and exchange rate compared to 2006. This decrease is in particular the result of an environment with strong contrasts between sustained markets such as France and Senegal, and declining markets in the United States, Turkey and Switzerland.

The increase in the Concrete & Aggregates operational business in **France** (+7.0% at constant scope) has continued to be sustained in particular under the effect of the good condition of construction markets and the increase in selling prices. The increase in business was less sustained during the 4th quarter due to less rigourous climatic conditions.

In the **United States,** operational sales were in decline by 11.7% at constant exchange rate. Business was strongly affected by the crisis in the residential property market in California, leading to a strong drop in concrete volumes in this region, whose effect was in part compensated by the increase in prices. The continuing decrease in volumes became more marked at year end.

In **Turkey,** operational sales were in decline by 15.7% at constant exchange rate. Concrete volumes decreased noticeably, given at highly competitive market on the Mediterranean coast and under the effect of a proactive policy in maintaining price levels and margins.

In **Switzerland,** operational sales were 15.5% down at constant exchange rate, due for the most part to the end of major construction projects, in particular the Lötschberg project, as well as to less favourable climatic conditions that those at year end 2006. Integration of Astrada at the beginning of 2007 is reflected in volumes and sales on the rise relative to 2006 at current scope.

In **Senegal,** the Group benefited from its strong presence in this highly dynamic market led by major infrastructure work being carried out. Therefore, operational sales increase by 44.6% due to a significant increase in volumes made possible by new production capacities commissioned at year end 2006.

1.1.3. Other Products & Services

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Operating sales	369	348	+6.1%	+12.1%
Eliminations	(76)	(73)		
Consolidated sales	293	275	+6.8%	+14.4%

Operational sales in this business showed a significant increase of 12.1% at constant scope and exchange rate, benefiting mainly from the recovery in the transport, major construction projects and prefabrication businesses.

1.2. GEOGRAPHIC ANALYSIS OF 2007 CONSOLIDATED SALES

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
France	1,028	978	+5.0%	+7.8%
Europe excluding France (Switzerland and Italy)	285	259	+9.7%	-1.6%
United States	364	420	-13.5%	-5.5%
Turkey	202	204	-1.1%	-2.0%
Africa and Middle East	259	221	+17.2%	+20.0%
Total	**2,136**	**2,083**	**+2.6%**	**+4.3%**

The share in sales in France increased slightly compared with what it was in 2006. The weight of sales in the United States decreased due to the unfavourable change in the dollar exchange rate and the local market, compared with the emerging countries, which benefited from particularly dynamic business in Egypt and Senegal.

2. Consolidated income statement

The Vicat Group experienced new improvement in its profitability levels sustained by:

- the Group's proactive pricing policy, which completely compensated for energy and fuel price rises;
- the initial favourable effects related to industrial investments made in the context of the "Performance 2010" plan, in particular in Senegal;
- and the continuing cost price optimisation actions.

Simplified consolidated income statement

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Sales	**2,136**	**2,083**	**+2.6%**	**+4.3%**
EBITDA*	**593**	**564**	**+5.1%**	**+6.1%**
Marginal rate (in %)	*27.8*	*27.1*		
EBIT**	**480**	**442**	**+8.7%**	**9.9%**
Marginal rate (in %)	*22.5*	*21.2*		
Group share of net result	**299**	**282**	**+6.1%**	**4.0%**
Marginal rate (in %)	*14.0*	*13.5*		

** EBITDA: gross operating earnings less other ordinary income (expense).*
*** EBIT: EBITDA less depreciation, amortisation and operating provisions.*

In this way, the Group's consolidated EBITDA showed a 5.1% increase compared with 2006 to €593 million and a 6.1% increase at constant scope and exchange rate. The EBITDA margin increased by nearly seventy base points and reached 27.8% as opposed to 27.1% in 2006.

Consolidated EBIT has increased by 8.7% compared with 2006 to €480 million and nearly 10% at constant scope and exchange rate. The EBIT margin has improved to 22.5% as opposed to 21.2% in 2006.

Finally, the group's net profit increased by 6.1% to €299 million and by 4.0% at constant scope and exchange rate. The net margin has improved and reached 14.0% of consolidated sales as opposed to 13.5% in 2006.

The Group's financial performance is all the more remarkable given that it was impacted by a number of non-recurrent factors. Their net incidence on variation in the group's operating income and consolidated attributable income between 2006 and 2007 has risen to €-11 and €-12 million respectively. Excluding these non-recurrent factors, the group's operating income and net attributable income has increased form 7.8% to 10.5% respectively compared to those in 2006.

2.1. INCOME STATEMENT BY BUSINESS

2.1.1. Cement business income statement

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Operating sales	1,156	1,095	+5.6%	+7.8%
EBITDA	415	378	+9.9%	+12.2%
EBIT	344	307	+11.9%	+14.1%

The change in **operational sales in the Cement business at constant scope and exchange rate** increased by 7.8%, which represent solid performance given the climatic conditions at year end, which were more difficult than in 2006, and given the noticeable slowdown in the residential property market in California.

Cement business EBITDA rose to €415 million in 2007, i.e. a 9.9% increase and a 12.2% increase at constant scope and exchange rate. The EBITDA margin on operational sales showed strong improvement reaching 35.9% as opposed to 34.5% in 2006. This performance reflects favourable effects related to the price increase in average selling price in all regions with the exception of Turkey and the increase in volumes and control of cost prices.

These factors have compensated the rise in energy and fuel prices, the continuation of external purchasers of clinker and cement in some regions and the exceptional transport costs between the various plants in France. The latter two factors should gradually disappear with the rise in new production capacities commissioned in the context of the “Performance 2010” plan and thereby offer intrinsic opportunities to improve EBITDA.

On this basis, EBIT increased by nearly 12% and more than 14% at constant scope and exchange rate. The margin for operational sales reached 29.8% in 2007 as opposed to 28.1% in 2006.

2.1.2. Concrete & Aggregates business income statement

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Operating sales	950	974	-2.5%	-2.8%
EBITDA	147	162	-9.5%	-10.1%
EBIT	118	121	-3.0%	-3.4%

Operational sales in this business decreased by 2.8% at constant scope and exchange rate compared to 2006. This decrease is in particular the result of an environment with strong contrasts between sustained markets such as France and Senegal, and declining markets in the United States, Turkey and Switzerland.

EBITDA declined by 10%, reflecting unequal performance in Concrete & Aggregates businesses.

Concrete business EBITDA was affected by the noticeable decrease in volume, in particular in California and Turkey. The increase in prices was not enough to compensate for this movement to which the increase in the cost of raw material and transport was added. On the other hand, Aggregate business EBITDA in Senegal showed solid growth sustained by the increase in volume and a slightly positive price effect.

2.1.3. Other Products & Services business income statement

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Operating sales	369	348	+6.1%	+12.1%
EBITDA	32	25	+27.7%	+18.9%
EBIT	18	13	+42.2%	+35.0%

Operational sales in this business showed a significant increase of 12.1% at constant scope and exchange rate, benefiting mainly from the recovery in the transport, major construction projects and prefabrication businesses.

EBITDA rose to €32 million, showing sustained growth of nearly 28%. This performance is mainly a reflection of the strong increase in volumes sold as well as the integration of the Desmeules company in Switzerland and the departure of the Negotiation and Piping businesses in France.

2.2. INCOME STATEMENT BY GEOGRAPHIC AREA

2.2.1. Income statement France

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Consolidated sales	1,028	978	+5.0%	+7.8%
EBITDA	272	248	+9.8%	+9.4%
EBIT	224	202	+11.2%	10.7%

Consolidated sales in France show a 7.8% increase at constant scope.

EBITDA is up by nearly 10% at €272 million. The EBITDA margin has improved clearly and has settled at 26.5% as opposed to 25.4% in 2006.

This increase is mainly the result of an improvement in the performance of the cement business sustained by:

- the rise in average selling prices;
- and by a favourable geographic mix, with the domestic market having been given priority compared with export markets.

The association of these elements has broadly compensated the increase in fuel and energy prices.

In parallel, the EBITDA of the concrete and aggregates business has also increased on the basis of a rise in the average selling price and of volumes that have compensated the increase in costs of raw materials and transport.

This increase is all the more remarkable given that it was achieved despite the unfavourable impact of exceptional elements such as the purchase of significant volumes of clinker as well as high transport costs for cement and clinker between plants. The disappearance of these exceptional factors will come into play along with the rise in investments made in the context of the "Performance 2010" plan and should be reflected in new improvement in the Group's financial performance in this area.

2.2.2. Income statement Europe (excluding France)

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Consolidated sales	285	259	+9.7%	-1.6%
EBITDA	70	67	+3.3%	-2.3%
EBIT	58	48	+20.6%	+17.0%

Consolidated sales in Europe, excluding France, show a 9.7% increase. Excluding scope and change effects, business is down 1.6%.

EBITDA in Switzerland, although penalized by a defavourable exchange effect of nearly 4.8%, has increased while benefiting from the increase in volumes and prices in the cement and prefabrication businesses as well as the integration of the Astrada and Desmeules companies. On the other hand, EBITDA in Italy is down due to the decrease in volumes and to a rise in prices that does not completely compensate the increase in costs of imported material and freight.

2.2.3. Income statement United States

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Consolidated sales	364	420	-13.5%	-5.5%
EBITDA	83	109	-24.0%	-17.1%
EBIT	59	83	-28.4%	-21.8%

Consolidated sales in the United States is in 13.5% decline and 5.5% at constant exchange rate.

EBITDA shows a 24.0% drop, 17.1% at constant exchange rate.

In the Cement business, the unfavourable change in EBITDA integrates an increase in average selling price that has compensated the increase in the cost of fuels and energy. However, some exceptional elements such as the extended stoppage of the Ragland kiln, which is reflected in significant purchases of clinker and cement, have affected its change significantly over the period In addition, this change was affected by an unfavourable base effect linked to receipt of an exceptional and non-recurrent sum of €8 million in 2006 that corresponds to the settling of an antidumping dispute.

Excluding the effect of these exceptional elements, the EBITDA of this business has increased compared with 2006 at constant exchange rate.

In the Concrete & Aggregates business, the EBITDA is in clear decline. The increase in selling prices has not compensated the decrease in volumes and the increase in costs for transport and raw material.

2.2.4. Income statement Turkey

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Consolidated sales	202	204	-1.1%	-2.0%
EBITDA	67	65	+3.8%	+2.9%
EBIT	55	54	+0.9%	+0.0%

Consolidated sales in the Turkey is in 1.1% decline and 2.0% at constant exchange rate. On the other hand, EBITDA shows a 3.8% drop, 2.9% at constant exchange rate. Overall, the EBITDA margin in Turkey has improved clearly, going from 31.7% in 2006 to 33.4% in 2007.

This increase is the result of contrasting performances in the Cement business on the one hand and in Concrete & Aggregates on the other.

In the Cement business, the decrease in average selling price and the increase in the price of fuels and energy have be fully compensated by the significant reduction in purchase of clinker compared with 2006. These purchases, still significant in 2007, should gradually disappear with the rise in new production capacities commissioned at end of year 2007, offering an extra lever to improve EBITDA.

In the Concrete & Aggregates business, EBITDA is in decline compared with 2006. The increase in the average selling price has not compensated the effects of the decrease in volumes and the increase in the costs of raw materials and transport.

2.2.5. Income statement Africa and Middle East

(in millions of euros)	2007	2006	Variation (%) Published	Variation (%) At constant scope and rate of exchange
Consolidated sales	259	221	+17.2%	+20.0%
EBITDA	101	75	+34.6%	+39.1%
EBIT	83	55	+53.0%	+58.8%

Consolidated sales for Africa and the Middle East region has grown strongly (+20%) at constant scope and exchange. The EBITDA margin has increased markedly, going from 33.9% in 2006 to 39.0% in 2007.

In **Senegal**, EBITDA has increased strongly, sustained by the increase in average selling prices and volumes but also through improvement in plant operation and the significant reduction in energy and fuel costs.

In **Egypt**, the improvement in EBITDA is explained by the increase in volumes and the rise in average selling price, which have very broadly compensated the rise in energy and fuel costs.

3. Balance sheet elements and cash flows

The industrial investments made by the Group reached €311 million as opposed to €224 million in 2006. These investments mainly correspond to the continuation of the production capacity increase programme in cement plants foreseen in the "Performance 2010" plan.

Financial investments are at €153 million and come mainly from the acquisitions of the Astrada and Desmeules companies in Switzerland, from acquisition of a majority shareholding in Kazakhstan and finally from purchases of additional shares in already consolidated companies, in particular in Egypt.

Net financial indebtedness was at €515 million as at December 31, 2007. This is the result of a self-financing capacity of €477 million, of a variation in working capital requirements of €79 million, of total investments of €467 million reflecting net cash flow of €355 million after taking into account sales and the net acquisition of Vicat shares for a total amount of €229 million.

Consolidated shareholders' equity rose to €1,717 million as opposed to €1,700 million as at December 31, 2006.

On this basis, net financial indebtedness represents 30.0% of consolidated shareholders' equity as opposed to 15.0% as at December 31, 2006.

4. Forecast

The Vicat Group is confident in its capacity to continue its operational profitability improvement programme in 2008 despite a tight environment in some of its markets, in particular in California and Turkey. The performance of this objective will rely on a proactive selling price policy, continuation of positive effects of industrial investments and continuous checks and optimization of cost prices.

The implementation of the "Performance 2010" plan continues in keeping with the Group's expectations and will be used to increase its production capacities by 50% while reducing production costs within the period leading up to 2010.

Finally, the Vicat Group, in keeping with is selective policy of external growth, announced as of the beginning of 2008, the construction of a cement plant in Kazakhstan whose in-service date is planned in 2010.

Consolidated financial statements at December 31, 2007

Consolidated balance sheet

Assets

(in thousands of euros)	Notes	2007	2006
NON-CURRENT ASSETS			
Goodwill	3	548,291	476,184
Other intangible assets	4	29,262	21,916
Property, plant and equipment	5	1,500,061	1,306,662
Investment properties	7	18,909	17,125
Investments in associated companies (equity method)	8	8,680	8,824
Deferred tax assets	24	2,458	1,183
Receivables and other non-current financial assets	9	83,031	72,939
Total non-current assets		**2,190,692**	**1,904,833**
CURRENT ASSETS			
Inventories and work-in-progress	10	249,164	203,726
Trade and other accounts receivable		406,508	406,649
Current tax assets		22,125	13,021
Other receivables	11	86,448	58,792
Assets held for sale	2	20,428	16,588
Cash and cash equivalents	12	83,595	259,586
Total current assets		**868,268**	**958,362**
Total assets		**3,058,960**	**2,863,195**

Liabilities and shareholders' equity

(in thousands of euros)	Notes	2007	2006
SHAREHOLDERS' EQUITY			
Share capital	13	187,085	187,085
Additional paid-in capital		11,207	11,207
Consolidated reserves		1,364,270	1,379,676
Shareholders' equity		**1,562,562**	**1,577,968**
Minority interests		**154,078**	**122,272**
Shareholders' equity and minority interests		**1,716,640**	**1,700,240**
NON-CURRENT LIABILITIES			
Provisions for pensions and other post-employment benefits	14	42,171	42,940
Other provisions	15	106,341	99,902
Financial liabilities	16	573,038	482,575
Deferred tax	24	150,554	116,769
Other non-current liabilities		16,867	13,913
Total non-current liabilities		**888,971**	**756,099**
CURRENT LIABILITIES			
Provisions	15	6,720	7,570
Financial liabilities	16	25,551	33,285
Trade and other accounts payable		270,142	218,220
Current taxes payable		10,730	26,247
Other liabilities	18	136,160	121,288
Liabilities held for sale	2	4,046	246
Total current liabilities		**453,349**	**406,856**
Total liabilities and shareholders' equity		**3,058,960**	**2,863,195**

Consolidated income statement

(in thousands of euros)	Notes	2007	2006
Net sales	19	**2,136,459**	**2,082,831**
Goods and services purchased		(1,206,400)	(1,185,790)
Added value	1.19	**930,059**	**897,041**
Personnel costs	20	(308,804)	(305,850)
Taxes		(39,090)	(42,388)
Gross operating earnings	1.19	**582,165**	**548,803**
Depreciation, amortization and provisions	21	(130,710)	(136,930)
Other income (expense)	22	(835)	16,116
Operating income		**450,620**	**427,989**
Net financial income (expense)	23	(18,377)	(9,100)
Earnings from associated companies	8	1,602	1,457
Earnings before income tax		**433,845**	**420,346**
Income taxes	24	(108,746)	(106,802)
Net income from discontinued operations	2	5,526	-
Net income		**330,625**	**313,544**
Minority interests		31,320	31,336
Group share		**299,305**	**282,208**

EBITDA	1.19	**593,197**	**564,453**
EBIT	1.19	**479,830**	**441,558**
Cash flow		**476,600**	**436,091**

Earnings per share (in euros)

Basic and diluted earnings per share	13	**6.40**	**6.03**

Consolidated statement of cash flows

(in thousands of euros)	Notes	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**330,625**	**313,544**
Earnings from associated companies		(1,602)	(1,457)
Dividends received from associated companies		1,036	1,067
Elimination of non-cash and non-operating items:			
- depreciation, amortization and provisions		132,565	135,872
- deferred taxes		25,117	(8,453)
- net (gain) loss from disposal of assets		(10,032)	(1,427)
- unrealized fair value gains and losses		(1,002)	(3,031)
- other (including hyperinflation)		(107)	(24)
Cash flows from operating activities		**476,600**	**436,091**
Change in working capital from operating activities - net		(78,880)	(66,759)
Net cash flows from operating activities (1)		**397,720**	**369,332**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of fixed assets:			
- property, plant and equipment and intangible assets		(289,223)	(212,038)
- financial investments		(13,094)	(8,511)
Disposals of fixed assets:			
- property, plant and equipment and intangible assets		8,563	18,321
- financial investments		8,882	1,491
Impact of changes in consolidation scope	26	(69,687)	7,078
Net cash flows from investing activities		**(354,559)**	**(193,659)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(66,963)	(35,635)
Increases in borrowings		107,639	31,475
Redemptions of borrowings		(20,027)	(109,983)
Acquisitions of treasury shares		(238,391)	(14,468)
Disposals of treasury shares		8,893	6,028
Net cash flows from financing activities		**(208,849)**	**(122,583)**
Impact of changes in foreign exchange rates		(1,275)	(15,492)
Change in cash		**(166,963)**	**37,598**
Net cash – opening balance	26	236,598	199,000
Net cash – closing balance	26	69,635	236,598

(1) - Including cash flows from income taxes: -106,071 thousand euros in 2007 and -116,505 thousand euros in 2006.
- Including cash flows from interests paid and received: -21,099 thousand euros in 2007 and -15,386 thousand euros in 2006.

Statement of changes in consolidated shareholders' equity

(in thousands of euros)	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves	Translation differences	Shareholders' equity	Minority interests	Shareholders' equity and minority interests
At January 1, 2006 – IFRS	**62,362**	**11,207**	**(14,519)**	**1,313,114**	**35,454**	**1,407,618**	**109,929**	**1,517,547**
- net income from change in fair value of financial assets and liabilities				4,452		4,452		4,452
- net income from change in translation differences					(77,316)	(77,316)	(11,674)	(88,990)
Income items recorded directly in shareholders' equity				**4,452**	**(77,316)**	**(72,864)**	**(11,674)**	**(84,538)**
Net income				282,208		282,208	31,336	313,544
Total income and expenses				286,660	(77,316)	209,344	19,662	229,006
Dividends paid				(29,622)		(29,622)	(5,617)	(35,239)
Net change in treasury shares			(12,259)	4,104		(8,155)		(8,155)
Increase in share capital	124,723			(124,723)		0		0
Changes in consolidation scope						0	(1,166)	(1,166)
Other changes				(1,217)		(1,217)	(536)	(1,753)
At December 31, 2006	**187,085**	**11,207**	**(26,778)**	**1,448,316**	**(41,862)**	**1,577,968**	**122,272**	**1,700,240**
- net income from change in fair value of financial assets and liabilities				6,084		6,084		6,084
- net income from change in translation differences					(28,297)	(28,297)	(1,520)	(29,817)
Income items recorded directly in shareholders' equity				**6,084**	**(28,297)**	**(22,213)**	**(1,520)**	**(23,733)**
Net income				299,305		299,305	31,320	330,625
Total income and expenses				305,389	(28,297)	277,092	29,800	306,892
Dividends paid				(60,803)		(60,803)	(6,378)	(67,181)
Net change in treasury shares			(236,060)	5,093		(230,967)		(230,967)
Changes in consolidation scope						0	10,555	10,555
Other changes				(728)		(728)	(2,171)	(2,899)
At December 31, 2007	**187,085**	**11,207**	**(262,838)**	**1,697,267**	**(70,159)**	**1,562,562**	**154,078**	**1,716,640**

Translation differences at December 31, 2007 are broken down by currency as follows (in thousands of euros):

• US dollar:	-44,538
• Swiss franc:	-21,185
• Turkish new lira:	-4,170
• Egyptian pound:	-8,830
• Kazakh tengue:	224
	-70,159

Notes to the 2007 consolidated financial statements

NOTE 1 – ACCOUNTING PRINCIPLES AND METHODS OF EVALUATION

1.1. Statement of compliance

In compliance with Regulation (EC) 1606/2002 issued by the European Parliament on July 19, 2002 regarding the application of International Accounting Standards, Vicat's consolidated financial statements have been prepared, since January 1, 2005, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Vicat has adopted those standards that are in force on December 31, 2007 for its benchmark accounting principles.

The following standards, interpretations and amendments issued by the IASB, but not yet in force as of December 31, 2007 were not implemented ahead of schedule in the Group's consolidated financial statements at the closing date:

- IFRS 8 concerning operating segments;
- Revised IAS 1 concerning presentation of financial statements.

These standards and interpretations applicable to the Group are currently being studied to evaluate their potential impact on the financial statements and to identify the additional information that may be required to be published. At the time of this publication, these studies are in progress.

The consolidated financial statements at December 31, 2007 present comparative data for the previous year prepared under these same International Financial Reporting Standards.

These notes include:

- the accounting principles and valuation methods applicable to the financial statements for the period ended December 31, 2007;
- additional notes to the financial statements.

These financial statements have been definitively prepared and approved by the board of directors on March 7, 2008, and will be presented to the General Meeting of shareholders on May 16, 2008 for approval.

1.2. Basis of preparation of financial statements

The financial statements are presented in thousands of euros.

The income statement presents income and expense items by nature.

The balance sheet differentiates current and non-current asset and liability accounts and splits them on the basis of their maturity (divided, generally speaking, into maturities of less than and more than one year).

The statement of cash flows is presented by the indirect method.

The financial statements were prepared using the historical cost method, with the exception of the following assets and liabilities which are recognized at fair value:

- derivatives;
- assets held for trading;
- assets available for sale;
- the portion of assets and liabilities covered by a hedging transaction.

In application of the option offered by IFRS 1, the Group did not exercise its right to use fair value or the results a prior revaluation as the new historical costs at the transition date for intangible and tangible assets.

The accounting principles and valuation methods described hereafter have been applied on a permanent basis to all of the fiscal years presented in the consolidated financial statements.

The establishment of consolidated financial statements under IFRS requires the Group's management to make a number of estimates and assumptions, which have a direct impact on the financial statements. These estimates are based on the going concern principle and are established on the basis of information available at the date they are carried out. They concern mainly the assumptions used to:

- evaluate provisions (notes 1.16 and 15), in particular those for pensions and other post-employment benefits (notes 1.15 and 14);
- evaluate financial instruments at their fair value (notes 1.14 and 17);
- to perform valuations used to carry out impairment tests (notes 1.4 and 1.11);
- define the accounting treatment to be applied in the absence of a definitive standard (note 1.7 concerning emission quotas).

The estimates and assumptions are reviewed regularly, whenever justified by the circumstances, at least at the end of each year, and the pertinent items in the financial statement are updated accordingly.

1.3. Consolidation methods

When a company is acquired, the fair value of its assets and liabilities is evaluated at the acquisition date.

The earnings of the companies acquired or disposed of during the year are recorded in the consolidated income statement for the period subsequent or previous to, depending on the case, the date of the acquisition or disposal.

The annual financial statements of the companies at December 31 are consolidated, and any necessary adjusting entries are made to restate them in accordance with Group accounting principles. All material intercompany balances and transactions are eliminated during the preparation of the consolidated financial statements.

Subsidiaries

Companies that are controlled exclusively by Vicat, directly or indirectly, are fully consolidated.

Joint ventures

Joint ventures, which are jointly controlled and operated by a limited number of shareholders, are proportionally consolidated.

Associated companies

Investments in associated companies over which Vicat exercises notable control are accounted for by the equity method. Any goodwill generated on the acquisition of these investments is presented on the line "Investments in associated companies (equity method)".

The list of the principal companies included in the consolidation at December 31, 2007 is provided in note 31.

1.4. Business combinations – goodwill

Goodwill corresponds to the difference between the price paid for the acquired company and the fair value of all identified assets, liabilities and contingent liabilities at the acquisition date. Goodwill on business combinations carried out after January 1, 2004 is reported in the currency of the company acquired. Applying the option offered by IFRS 1, business combinations completed before the transition date of January 1, 2004 have not been restated, and the goodwill arising from them has been maintained at its net value on the balance sheet according to the principles of French GAAP on December 31, 2003.

In the event that the pro-rata share of interests in the fair value of net assets, liabilities and contingent liabilities acquired exceeds their cost ("negative goodwill"), the full amount of this negative goodwill is recognized in the result of the fiscal year in which the acquisition was made.

The values of assets and liabilities acquired through a business combination must be definitively determined within 12 months after the acquisition date. These values may thus be adjusted at any closing date within that time frame.

Minority interests are valued on the basis of their pro-rata share in the fair value of the net assets acquired.

If the business combination takes place through successive purchases, each material transaction is treated separately, and the assets and liabilities acquired are so valued and goodwill thus determined.

In compliance with IFRS 3 and IAS 36 (see §1.11), at the end of each year, and in the event of any evidence of impairment, goodwill is subjected to an impairment test, consisting of a comparison of its net carrying cost with its value in use as calculated on a discounted projected cash flow basis. When the later is below carrying cost, an impairment loss is recognized for the corresponding loss of value.

No evidence of impairment was identified in either 2007 or 2006, and the impairment tests carried out in these two fiscal years did not result in the recognition of any impairment with respect to goodwill.

1.5. Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated into the functional currency at the exchange rates in effect on the transaction dates. At the end of the year, all monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the year-end exchange rates, and the resulting exchange rate differences are recorded in the income statement.

Translation of financial statements of foreign companies

All assets and liabilities of Group companies that are not hedged are translated into euros at the year-end exchange rates while income, expense and cash flow statement items are translated at average exchange rates for the year. The ensuing translation differences are recorded directly in shareholders' equity.

In the event of a later sale, the cumulative amount of translation differences relating to the net investment sold and denominated in foreign currency is recorded in income statement. Applying the option offered by IFRS 1, translation differences accumulated before the transition date were zeroed out by allocating them to consolidated reserves at that date. They will not be recorded in income statement in the event of a later sale of these investments denominated in foreign currency.

The following foreign exchange rates were used:

	Closing rate		Average rate	
	2007	2006	2007	2006
USD	1.4721	1.3170	1.3706	1.2557
CHF	1.6547	1.6069	1.6427	1.5731
EGP	8.1153	7.5112	7.7487	7.2278
YTL	1.7170	1.8640	1.7866	1.8021
KZT	177.17			

1.6. Other intangible assets

Intangible assets (mainly patents, rights and software) are recorded on the balance sheet at historical cost less accumulated amortization and any impairment losses. This cost includes acquisition or production costs and all other directly attributable costs incurred for the acquisition or production of the asset and for its commissioning. Assets with finite lives are amortized on a straight-line basis over their useful life (generally not exceeding 10 years).

Research costs are recognized as expenses in the period in which they are incurred.

Long-term development costs meeting the criteria defined by IAS 38 are capitalized.

The costs expensed in accordance with these policies amounted to 1,417 thousand euros at December 31, 2007 (1,181 in 2006).

1.7. Emission quotas

In the absence of a definitive IASB standard concerning greenhouse gas emissions quotas, the following accounting treatment has been applied:

- the quotas allocated by the French government in the framework of the National Quotas Allocation Plan (PNAQ) amounted to 2,491 thousand tons of greenhouse gas emissions in 2007 were not recorded neither in assets nor in liabilities;
- the shortfall versus actual emissions of 2,558 thousand tons required the purchases of an additional quantity of 67,000 tons which were recognized as an expenditure during the fiscal year.

1.8. Property, plant and equipment

Property, plant and equipment are reported on the balance sheet at historical cost less accumulated depreciation and any impairment losses, using the component approach provided for in IAS 16. When an article of property, plant and equipment comprises several significant components with different useful lives, each component is amortized on a straight-line basis over its respective useful life, starting at commissioning.

Main amortization durations are presented below depending on the assets category:

	Cement assets	Concrete and aggregates assets
Civil engineering	15 to 30 years	15 years
Major installations	15 to 30 years	10 to 15 years
Other industrial equipment	8 years	5 to 10 years
Electricity	15 years	5 to 10 years
Controls and instruments	5 years	5 years

Quarries are amortized on the basis of tonnage extracted during the year in comparison with total estimated reserves.

Certain parcels of land acquired prior to December 31, 1976 were revalued, and the adjusted value was recognized in the financial statements, but without a significant impact on the lines concerned.

Interest expense is capitalized on borrowings incurred to finance the construction of facilities during the period preceding their commissioning (1,255 thousand euros were capitalized in 2007, determined on the basis of local interest rates ranging from 6.17% to 10.20% depending on the country).

1.9. Leases

In compliance with IAS 17, leases on which nearly all of the risks and benefits inherent to ownership are transferred by the lessor to the lessee are classified as finance leases. All other contracts are classified as operating leases.

Assets held under finance leases are recorded in tangible assets as the lower of their fair value or the current value of the minimum lease payments at the starting date of the lease and amortized over their useful life, with the corresponding debt recorded as a liability.

1.10. Investment properties

Vicat recognizes its investment properties at their historical cost, less accumulated depreciation and any impairment losses, and depreciates them on a straight-line basis over their useful life (10 to 25 years). The fair value of its investment properties is calculated by the Group's qualified departments. It is based primarily on valuations made by capitalizing rental income and taking into account market prices observed on transactions involving comparable properties, and is presented in the notes at each year-end.

1.11. Impairment

In accordance with IAS 36, the carrying values of assets with indefinite lives are reviewed at each year-end, and during the year, whenever there is an indication that the asset may be impaired. Those with finite lives are reviewed only if indicators show that a loss is likely.

An impairment loss is recognized as an expense on the income statement when the carrying cost of the asset is higher than its recoverable value. The latter is the higher of the fair value decreased by expenses related to the sale and the value in use. The value in use is calculated primarily on a discounted projected cash flow basis over 10 years. This time period corresponds to the Group's capital-intensive nature and the longevity of its industrial equipment. The discount rate before taxes applied (from 7.5% to 8.75% depending on the country) corresponds to Vicat's average cost of capital for the cash-generating unit concerned. When it is not possible to estimate the fair value of an isolated asset, the fair value is assessed at the level of the cash-generating unit that the asset is part of, insofar as the industrial facilities, products and markets constitute a coherent whole.

At December 31, 2007, a one-percentage-point increase or decrease in the discount rate used did not affect the value of goodwill and other intangible assets or property, plant and equipment included in the Group's consolidated financial statements.

Recognized impairments can be reversed and are recovered in the event of a decrease, with the exception of those corresponding to goodwill, which are definitive.

1.12. Inventories

Inventories are valued using the weighted average unit cost method, at the lower of purchase price or production cost, or net market value (sales price reduced by completion and sales costs).

The gross value of merchandise acquired for resale and of supplies includes both the purchase price and all related costs.

Manufactured goods are valued at production cost, including the cost of goods sold, direct and indirect production costs and the depreciation on all consolidated fixed assets used in the production process.

Inventory depreciations are recorded when necessary to take account of any probable losses that could arise at year-end.

1.13. Cash and cash equivalents

Cash and cash equivalents include both cash and short-term investments of less than 3 months that do not present any risk of loss of value. The latter are marked to market at the end of the period. Net cash, the change in which is presented in the statement of cash flows, consists of cash and cash equivalents less any bank overdrafts.

1.14. Financial instruments

Derivatives and hedging

The Group uses hedging instruments to reduce its exposure to changes in interest and foreign exchange rates. These hedging transactions are performed using derivatives (such as interest rate swaps and caps, forward FX contracts and currency swaps) whose own changes in fair value are used to offset the changes in value of the underlying hedged items provoked by the risk to which they are exposed.

The Group uses derivatives solely for financial hedging purposes and no instrument is held for speculative ends. Under IAS 39, however, certain derivatives used were not, not yet or no longer, eligible for hedge accounting at the closing date.

In compliance with IAS 39, derivatives are measured at their fair value and recorded on the balance sheet. The method used to account for changes in the fair value of these derivatives depends on the existence or not of a documented hedging relationship as provided for in IAS 39 and on the type of hedge used:

- in the absence of an IAS hedging relationship, changes in fair value are recognized through financial profit or loss ("fair value adjustments to financial assets and liabilities");
- in the event of a documented fair value hedging relationship (1), the change in the fair value of the hedging derivative is recognized through profit or loss as an offset to the change in the fair value of the underlying financial instrument hedged. Income is affected solely by the inefficient portion of the hedge;
- in the event of a documented cash flow hedging relationship [(2)], the change in the fair value of the efficient portion of the hedging derivative is recorded initially in shareholders' equity, and that of the inefficient portion is recognized directly through profit or loss. The accumulated changes in the fair value of the hedging instrument previously recorded in shareholders' equity are recognized through profit or loss at the same rate as the cash flows that were hedged.

Other financial instruments

These include primarily long-term loans and receivables and investments in non-consolidated affiliates.

In compliance with IAS 39, investments in non-consolidated affiliates are analysed as assets available for sale, and must consequently be measured at the lower of their carrying value and their fair value less cost of sale at the end of the period.

Long-term loans and receivables are measured at their net book value. They may be subject to impairment if a loss of value is identified.

In compliance with IAS 32, treasury shares are recorded as contra-shareholders' equity.

All purchases and sales of financial assets are recognized at the transaction date.

1.15. Employee benefits

The regulations and customs in force in the countries in which the consolidated Group companies are present provide for post-employment benefits, such as retirement indemnities, supplemental pension benefits, supplemental pensions for senior management, and other post-employment benefits, such as medical coverage, etc.

Defined contribution plan contributions are recognized as expenses when they are incurred. As these do not represent a future liability for the Group, these plans do not require any provisions to be set aside.

Defined benefit plans include all post-employment benefit programs other than those under defined contribution plans, and represent a future liability for the Group. The corresponding liabilities are calculated on an actuarial basis (wage inflation, mortality, employee turnover, etc.) using the projected unit credit method, in accordance with the clauses provided for in the collective bargaining agreements and with custom.

Dedicated financial assets, which are mainly equities and bonds, are used to cover all or a portion of these liabilities, particularly in the United States and Switzerland. These liabilities are thus recognized on the balance sheet net of the fair value of any such invested assets. Any surplus of asset is capitalized only to the extent that it represents a future economic advantage that will be effectively available to the Group, within the limit of the IAS 19 cap.

(1) Fair value hedges are intended to hedge exposure to changes in the fair value of a recognized asset or liability or of a firm off-balance sheet commitment.

(2) Cash flow hedges are intended to hedge exposure to changes in future cash flows relating to a recognized asset or liability or to a "highly probable" future transaction.

Actuarial variances arise due to changes in actuarial assumptions and/or variances observed between these assumptions and the actual figures. The Group has chosen to apply the IFRS 1 option and to zero the actuarial variances linked to employee benefits not yet recognized on the transition balance sheet by allocating them to shareholders' equity. All actuarial gains and losses of more than 10% of the greater of the discounted value of the liability under the defined benefit plan or the fair value of the plan's assets are recognized through profit or loss. The corridor method is used to spread any residual actuarial variances over the expected average remaining active lives of the staff covered by each plan, with the exception of variances concerning other post employment benefits.

1.16. Provisions

A provision is recognized when the Group has a current commitment, which can be reliably estimated, resulting from a significant event occurring prior to the closing that would lead to an uncompensated use of cash.

These include, notably, provisions for site restoration, which are set aside progressively as quarries are used and include the projected costs related to the Group's obligation to restore such sites to their original condition.

IAS 37 requires provisions whose maturities are longer than one year to be discounted when the impact is significant. The effects of this discounting are recorded under net financial income.

1.17. Income taxes

Deferred taxes are calculated at the tax rates passed or nearly passed at the year end and in force when assets are sold or liabilities are settled. Deferred taxes are calculated, based on an analysis of the balance sheet, on timing differences identified in the Group's subsidiaries and joint ventures between the values recognized on the consolidated balance sheet and the values of assets and liabilities for tax purposes.

Deferred taxes are calculated for all timing differences, including those on restatement of finance leases, except when the timing difference results from goodwill.

Deferred tax assets and liabilities are netted out at the level of each company. When the net amount represents a receivable, a deferred tax asset is recognized if it is probable that the Company will generate future taxable income against which to allocate the unused tax losses.

1.18. Sector information

Vicat operates in three sectors of activity: Cement, Concrete & Aggregates and Other Products & Services. The management of each of these businesses is responsible for managing and growing their activity, measuring financial performances and allocating capital spending and resources.

These three activities are the basis on which the Vicat Group provides all first-level segment information.

The analysis by geographical region provides the second level of segment information.

Transactions between segments are carried out at arm's length.

1.19. Financial indicators

The following financial performance indicators are used by the Group, as by other industrial players and notably in the building materials segment, and presented with the income statement:

▶ Added value

The value of production less the cost of goods and services purchased.

▶ Gross operating earnings

Added value less expenses of personnel, taxes and duties (except income taxes and deferred taxes), plus grants and subsidies.

▶ EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization)

Gross operating earnings less other ordinary income (expense).

▶ EBIT (Earnings Before Interest and Tax)

EBITDA less depreciation, amortization and operating provisions.

NOTE 2 – CHANGES IN SCOPE AND OTHER SIGNIFICANT EVENTS

Placement of shares sold by HeidelbergCement

As announced at the end of the board of directors meeting, March 2, 2007, HeidelbergCement sold its stake of 16,384,320 shares, representing 35% of Vicat's share capital during the 1st half of the year 2007. This transaction consisted in a public offering at open price in France and in an international private placement in Europe.

The offer price, considering the constitution of the investors book of orders, was set at 86 euros per share representing a global amount of 1,409,051,520 euros.

Following the transaction, the family holdings purchased an additional 4% stake representing 1,871,000 shares and Vicat S.A. increased its treasury shares holding from 1.4% to 7.1% with the purchase of 2,664,367 shares representing a global amount of 229,135,562 euros.

This transaction also allowed the Group to significantly increase its free-float from 5.1% to 30.4%.

Consequently, breakdown of shareholding following the transaction was:

- Family shareholders: 57.92%
- Public: 30.43%
- Treasury Shares: 7.12%
- Employees: 4.53%

Acquisition of the Swiss companies Desmeules Frères and Astrada

According to its strategy, the Group purchased during the first quarter of 2007, two Swiss companies, Desmeules Frères SA and Astrada.

The Desmeules Frères company is involved in precast concrete building materials for Switzerland Romane area and its complete range is well integrated into the precasting activity of Vigier. Desmeules Frères generated annual turnover of 30 million Swiss francs (about 20 million euros) in 2006.

As far as Astrada is concerned and after the retrocession of certain assets to a local partner, this new entity generated annual turnover of about 15 million Swiss Francs (about 10 million euros) in 2006 and strengthens the Group's market share eastward in the direction of Zurich. The industrial resources of this company consist in 3 concrete batching plants, 2 gravels and a massive rock quarry.

Joint venture to construct a cement plant in Kazakhstan

In late December 2007, the Vicat Group has become part of the project initiated by a Kazakhstan investment fund for construction of a cement plant in the country and has acquired 60% of the cement production and sales company. The first steps of the construction have been initiated and the production is scheduled to start in 2010.

Non-current assets held for sale at December 31, 2006 and sold in 2007

According to the draft agreements signed late in the year 2006 related to the transfer of the trading and pipe activities in France, the Group sold these two activities during the 1st half of 2007. Effective transfer occurred respectively March 1st and April 1st, 2007.

The net profit after tax of these disposals, which amounts to 5.5 million euros is presented in compliance with IFRS 5 in the consolidated income statement under the heading "Net income from discontinued operations".

Non-current assets held for sale at December 31, 2007

Following the acquisition on January 1st, 2007 of the Swiss company Astrada, the Group owns some assets which are not fully in line with the current commercial organization. As a consequence, it has been decided to sell some assets to a local partner. This transfer should be effective on January 1st, 2008.

In compliance with IFRS 5, the non-current assets (20.4 million euros including goodwill for 10.3 million euros) and non current liabilities (4.0 million euros including financial liabilities for 2.0 million euros) concerned are presented separately in the consolidated balance sheet under the heading "Assets and Liabilities held for sale".

NOTE 3 – GOODWILL

The change in the net goodwill by business is analysed in the table below:

(in thousands of euros)	Cement	Concrete & Aggregates	Other Products & Services	Total
At December 31, 2005	**383,067**	**91,271**	**4,929**	**479,267**
Acquisitions / Additions	180	4,804(1)	60	5,044
Changes in foreign exchange rates	(4,128)	(3,999)		(8,127)
At December 31, 2006	**379,119**	**92,076**	**4,989**	**476,184**
Acquisitions / Additions(2)	43,076	29,493	10,210	82,779
Disposals / Decreases		(1,958)	(232)	(2,190)
Changes in foreign exchange rates	(7,066)	(1,121)	(295)	(8,482)
At December 31, 2007	**415,129**	**118,490**	**14,672**	**548,291**

(1) The increase in goodwill in the Concrete & Aggregates business during 2006 resulted mainly from the Group's acquisition of initial or additional investments in some Concrete & Aggregates companies in France and Switzerland.

(2) The increase in goodwill during 2007 resulted mainly from:

- *for the Cement sector, the acquisition by the Vicat Group of 60% of a cement company in Kazakhstan in December 2007, with the aim of constructing a cement plant, and an additional investment in Sinai Cement Company in Egypt;*
- *for the Concrete & Aggregates sector, the acquisition during the first half of 2007 of the Swiss company Astrada;*
- *for the Other Products & Services sector, the acquisition during the first half of 2007 of the Swiss company Desmeules Frères.*

NOTE 4 – OTHER INTANGIBLE ASSETS

The intangible assets are broken down as follows at the closing date:

(in thousands of euros)	December 31, 2007	December 31,2006
Concessions, patents and similar rights	17,465	7,103
Software	2,176	2,067
Intangible assets in progress	9,619	12,458
Current intangible assets	2	278
Advances and prepayments on intangible assets	0	10
Other intangible assets	**29,262**	**21,916**

Net other intangible assets amounted to 29,262 thousand euros at December 31, 2007 compared with 21,916 thousand euros one year earlier. The change during 2007 was due primarily to -7,931 thousand euros in amortization expense, 2,138 thousand euros on acquisitions, entries into consolidation scope for 14,179 thousand euros, and the balance resulting from reclassifications, changes in foreign exchange rates and disposals.

At December 31, 2006, net other intangible assets amounted to 21,916 thousand euros compared with 19,491 thousand euros at December 31, 2005. The change during 2006 was due primarily to -3,455 thousand euros in amortization expense, 3,613 thousand euros on acquisitions and -709 thousand euros of translation losses, with the balance consisting of reclassifications, disposals and changes in scope.

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Land & buildings	Industrial equipment	Other property, plant and equipment	Fixed assets work-in-progress and advances/ down payments	Total
GROSS VALUES					
At December 31, 2005	**618,936**	**1,655,484**	**159,761**	**59,456**	**2,493,637**
Acquisitions	18,986	58,211	10,631	133,497	221,325
Disposals	(3,130)	(24,338)	(10,400)	(1,337)	(39,205)
Changes in consolidation scope	619	1,680	520	173	2,992
Changes in foreign exchange rates	(28,349)	(93,951)	(7,511)	(4,364)	(134,175)
Other movements	(4,212)	40,918	(3,319)	(59,270)	(25,883)
At December 31, 2006	**602,850**	**1,638,004**	**149,682**	**128,155**	**2,518,691**
Acquisitions	49,414	123,158	10,331	124,207	307,110
Disposals	(5,413)	(26,445)	(10,557)	(337)	(42,752)
Changes in consolidation scope	24,619	18,028	2,479	9,508	(54,664)
Changes in foreign exchange rates	(11,183)	(30,854)	569	(3,956)	(45,424)
Other movements	2,588	105,522	(28,180)	(86,239)	(6,309)
At December 31, 2007	**662,905**	**1,827,413**	**124,324**	**171,338**	**2,785,980**
DEPRECIATION AND IMPAIRMENT					
At December 31, 2005	**(239,199)**	**(852,011)**	**(111,865)**	**(45)**	**(1,203,120)**
Increase	(17,853)	(84,747)	(12,902)	(197)	(115,699)
Decrease	1,398	22,726	8,599		32,723
Changes in consolidation scope	1	(553)	(93)		(645)
Changes in foreign exchange rates	8,903	45,471	5,548	3	59,925
Other movements	6,195	7,635	957		14,787
At December 31, 2006	**(240,555)**	**(861,479)**	**(109,756)**	**(239)**	**(1,212,029)**
Increase	(21,622)	(89,497)	(11,566)		(122,685)
Decrease	4,323	21,867	11,111	44	37,345
Changes in consolidation scope	38	(338)	(592)		(892)
Changes in foreign exchange rates	3,842	11,768	(739)	3	14,874
Other movements	(1,890)	(24,733)	23,944	147	(2,532)
At December 31, 2007	**(255,864)**	**(942,412)**	**(87,598)**	**(45)**	**(1,285,919)**
Net book value at December 31, 2006	362,295	776,525	39,926	127,916	1,306,662
Net book value at December 31, 2007	**407,041**	**885,001**	**36,726**	**171,293**	**1,500,061**

Fixed assets work-in-progress amounted to 137 million euros at December 31, 2007 (107 million euros at December 31, 2006) and advances/down payments represented 34 million euros at December 31, 2007 (nearly 21 million euros at December 31, 2006).

The overall increase of nearly 43 million euros in these items from 2006 to 2007 is related to the continuation in 2007 of the "Performance 2010" industrial investment program, particularly in France, Turkey, Senegal and Egypt. This program made considerable progress by December 31, 2007 from a year earlier. These programs are intended to increase production capacities, particularly in France, Turkey, Egypt, Senegal and the United States.

Contractual commitments to acquire tangible and intangible assets amounted to 172 million euros at December 31, 2007 (212 million euros at December 31, 2006).

Property, plant and equipment classified in assets held for sale in accordance with IFRS 5 amount to 10.2 million euros at December 31, 2007 (6.4 million euros at December 31, 2006). They mainly concern the assets held for sale of the Swiss Goup Astrada as described in note 2 (at December 31, 2006 they concerned the pipe and trading activities whose disposal was in progress at that time).

NOTE 6 – FINANCE AND OPERATING LEASES

(in thousands of euros)	2007	2006
NET BOOK VALUE BY CATEGORY OF ASSET		
Industrial equipment	5,840	6,811
Other property, plant and equipment	3,857	6,211
Property, plant and equipment	**9,697**	**13,022**
MINIMUM PAYMENT SCHEDULE		
Less than 1 year	5,004	5,113
1 to 5 years	4,978	6,173
More than 5 years	15	65
Total	**9,997**	**11,351**

NOTE 7 – INVESTMENT PROPERTIES

(in thousands of euros)	Gross values	Depreciation, Impairment	Net values
At December 31, 2006	**31,238**	**(14,113)**	**17,125**
Acquisitions	2,242		2,242
Disposals	(55)	27	(28)
Depreciation		(366)	(366)
Changes in foreign exchange rates	(371)	83	(288)
Other movements	224		224
At December 31, 2007	**33,278**	**(14,369)**	**18,909**
Fair value of investment properties at December 31, 2006			57,341
Fair value of investment properties at December 31, 2007			**58,807**

Rental income from investment properties amounted to 2.7 million euros at December 31, 2007 (3.0 million euros at December 31, 2006).

NOTE 8 – INVESTMENTS IN ASSOCIATED COMPANIES

Change in investments in associated companies

(in thousands of euros)	2007	2006
At January 1	**8,824**	**9,184**
Earnings from associated companies	1,602	1,457
Dividends received from investments in associated companies	(1,036)	(1,067)
Translation gains/losses and other	(710)	(750)
At December 31	**8,680**	**8,824**

NOTE 9 – RECEIVABLES AND OTHER NON-CURRENT ASSETS

(in thousands of euros)	Gross values	Impairment	Net values
At December 31, 2006	**77,155**	**(4,216)**	**72,939**
Acquisitions / Increases	12,129		12,129
Disposals / Decreases	(5,483)	2,387	(3,096)
Changes in consolidation scope	3,628	(7)	3,621
Changes in foreign exchange rates	(1,533)	63	(1,470)
Other	(1,092)		(1,092)
At December 31, 2007	**84,804**	**(1,773)**	**83,031**
Including:			
- investment in affiliated companies(1)	25,662	(1,076)	24,586
- other long-term investments	1,550	(138)	1,142
- loans and receivables(2)	51,437	(559)	50,878
- assets of employee post-employment benefits plans	6,155		6,155
At December 31, 2007	**84,804**	**(1,773)**	**83,031**

(1) At December 31, 2007, investments in affiliates included, in particular, stakes in the following companies (in million euros):
- Société des Ciments d'Abidjan: 1.6
- Sinai White Cement: 9.6
- Sas Esterel Granulats Béton Service: 2.2.
The residual balance corresponds to the total of investments in nearly 65 non-consolidated companies. The Group had neither control nor significant influence over almost 30% of these, which represented a net cumulative value of 2.8 million euros.
Other investments in affiliates amounted to a net value of 8.4 million euros in about 40 non-consolidated companies, which represented total sales of about 27.4 million euros. Consolidation of these companies would have had almost no impact on the Group's consolidated financial statements, particularly as most of these companies carry out a part of their purchases and/or sales with Group companies.

(2) Other non-current loans and receivables include particularly 4,578 thousand euros in a money market fund backed by a liquidity contract entered into by Vicat with Crédit Agricole Cheuvreux, and 24,345 thousand euros in payments due from insurers in relation to the damage occurred in 2006 as described in note 15.

NOTE 10 – INVENTORIES AND WORK-IN-PROGRESS

	2007			2006		
(in thousands of euros)	Gross	Provisions	Net	Gross	Provisions	Net
Raw materials and consumables	176,466	(4,033)	172,433	147,923	(4,935)	142,988
Work-in-progress, finished goods and goods for resale	78,037	(1,306)	76,731	62,164	(1,426)	60,738
Total	**254,503**	**(5,339)**	**249,164**	**210,087**	**(6,361)**	**203,726**

NOTE 11 – OTHER RECEIVABLES

	2007			2006		
(in thousands of euros)	Gross	Provisions	Net	Gross	Provisions	Net
Other tax receivables	34,383		34,383	21,985		21,985
Receivables from benefits organizations	5,230		5,230	2,835		2,835
Fair value of derivatives			0	572		572
Miscellaneous receivables and accruals	49,809	(2,974)	46,835	36,088	(2,688)	33,400
Total	**89,422**	**(2,974)**	**86,448**	**61,480**	**(2,688)**	**58,792**

NOTE 12 – CASH AND CASH EQUIVALENTS

(in thousands of euros)	2007	2006
Cash	78,060	227,656
Marketable securities	5,535	31,930
Cash and cash equivalents	**83,595**	**259,586**

NOTE 13 – COMMON STOCK

The common stock of Vicat comprises 46,771,200 common fully paid-up shares at December 31, 2007, including 3,303,247 treasury shares (665,712 at December 31, 2006), acquired under the share buyback program approved by the shareholders at the Ordinary General Meeting on May 16, 2007, mainly through HeidelbergCement's disposal of its 35% stake in Vicat (see note 2).

The dividend paid in 2007 in respect of 2006 amounted to 1.30 euro per share, totalizing 60,802 thousand euros compared with 0.63 euro per share on a like for like basis (1.90 euro per share at the distribution date that occurred before the increase of capital) paid in 2006 in respect of 2005, for a total of 29,622 thousand euros. The dividend proposed by the board of directors to the General Meeting of shareholders with respect to 2007 amounts to 1.50 euro per share, totalizing 70,157 thousand euros.

In the absence of any dilutive instrument, diluted earnings per share are identical to basic earnings per share, and are obtained by dividing the Group's net income by the weighted average number of Vicat common shares outstanding during the year.

NOTE 14 – EMPLOYEE BENEFITS

Analysis of provisions by type of commitment

(in thousands of euros)	2007	2006
Pension plans and termination benefits (TB)	23,028	22,585
Other post-employment benefits	19,143	20,355
Total	**42,171**	**42,940**

Assets and liabilities recognized in the balance sheet

	2007			2006		
(in thousands of euros)	Pension plans and TB	Other benefits	Total	Pension plans and TB	Other benefits	Total
Present value of funded liabilities	237,368	23,047	250,415	230,800	24,095	254,895
Fair value of plan assets	(234,095)		(234,095)	(227,518)		(227,518)
Net value	**(6,727)**	**23,047**	**16,320**	**3,282**	**24,095**	**27,377**
Net unrecognized actuarial variances	9,855	(3,871)	5,984	3,185	(3,675)	(490)
Unrecognized past service costs	(15)	(33)	(48)	(55)	(66)	(121)
Net recognized assets	13,760		13,760	9,917		9,917
Net balance sheet liability	**16,873**	**19,143**	**36,016**	**16,329**	**20,354**	**36,683**

Analysis of net annual expense

	2007			2006		
(in thousands of euros)	Pension plans and TB	Other benefits	Total	Pension plans and TB	Other benefits	Total
Current service costs	(5,782)	(549)	(6,331)	(5,460)	(537)	(5,997)
Financial cost	(11,999)	(1,359)	(13,358)	(10,366)	(1,281)	(11,646)
Expected return on plan assets	10,814		10,814	9,738		9,738
Actuarial variances recognized during the year	(148)	(147)	(295)	(94)		(94)
Recognized past service costs	(19)	(28)	(47)	(461)	(30)	(491)
Expense for the period	**(7,134)**	**(2,083)**	**(9,217)**	**(6,643)**	**(1,848)**	**(8,491)**

Change in financial assets used to hedge the plan

	2007			2006		
(in thousands of euros)	Pension plans and TB	Other benefits	Total	Pension plans and TB	Other benefits	Total
Fair value of assets at January 1	**227,519**	**0**	**227,519**	**219,207**	**0**	**219,207**
Expected return on assets	10,814		10,814	9,737		9,737
Contributions paid in	9,428		9,428	8,424		8,424
Translation differences	(8,724)		(8,724)	(9,229)		(9,229)
Benefits paid	(4,332)		(4,332)	(7,943)		(7,943)
Changes in consolidation scope	2,881		2,881	0		0
Other	(3,491)		(3,491)	7,322		7,322
Fair value of assets at December 31	**234,095**	**0**	**234,095**	**227,518**	**0**	**227,518**

Change in net balance sheet liability

	2007			2006		
(in thousands of euros)	Pension plans and TB	Other benefits	Total	Pension plans and TB	Other benefits	Total
Net liability at January 1	**16,329**	**20,354**	**36,683**	**17,687**	**21,900**	**39,587**
Expense for the period	7,134	2,083	9,217	6,643	1,848	8,491
Contributions paid in	(6,206)		(6,206)	(5,764)		(5,764)
Translation differences	301	(2,214)	(1,913)	(621)	(2,319)	(2,940)
Benefits paid by the employer	(1,475)	(1,080)	(2,555)	(1,317)	(1,075)	(2,392)
Change in consolidation scope	865		865	77		77
Other	(75)		(75)	(376)		(376)
Net liability at December 31	**16,873**	**19,143**	**36,016**	**16,329**	**20,354**	**36,683**

Principal actuarial assumptions

	Depending on country
Discount rate	
2007	from 3.7% to 11.0%
2006	from 2.9% to 9.0%
Rate of return on financial assets	
2007	from 4.7% to 8.5%
2006	from 4.4% to 8.5%
Wage inflation	
2007	from 1.5% to 8.0%
2006	from 1.6% to 8.0%
Rate of increase in medical costs	
2007	from 4.5% to 6.75%
2006	from 4.5% to 10.0%

The estimated rate of change in medical costs used in calculating commitments related to post-employment benefits has a direct impact on the estimate of some of these commitments. The effect of a one-percentage-point variation in this rate of change in medical costs would be as follows:

(in thousands of euros)	1% increase	1% decrease
Increase (decrease) in the present value of the liabilities at December 31, 2007	3,256	(2,684)
Increase (decrease) in the service cost and in the financial cost	339	(269)

NOTE 15 – OTHER PROVISIONS

(in thousands of euros)	Restoration of sites	Demolitions	Other risks	Other charges	Total
At December 31, 2006	**25,112**	**2,639**	**72,608(1)**	**7,113**	**107,472**
Increases	2,456	231	28,069	2,999	33,765
Uses	(2,451)	(32)	(10,416)	(2,748)	(15,647)
Reversal of unused provisions	(239)	(669)	(11,514)	(1,519)	(13,941)
Changes in foreign exchange rates	(440)	(72)	(1,153)	(204)	(1,869)
Changes in consolidation scope	2,697		1,147	330	4,174
Other movements	(1,264)	(152)	(458)	991	(883)
At December 31, 2007	**25,871**	**1,945**	**78,283(1)**	**6,962**	**113,061**
o.w. less than one year	*0*	*0*	*6,181*	*539*	*6,720*
o.w. more than one year	*25,871*	*1,945*	*72,102*	*6,423*	*106,341*

Impact (net of charges incurred) on income statement

	Increases	Reversals of unused provisions
Operating income	31,515	(13,941)(2)
Net financial income (expense)	2,240	

(1) At December 31, 2007, other risks included:

- *an amount of 47.9 million euros (39.2 million euros at December 31, 2006) corresponding to the current estimate of gross expected costs for repair of damage that occurred in 2006 following deliveries of concrete mixtures and concrete made in 2004 whose sulfate content exceeded applicable standards. This amount corresponds to the current estimate of the Group's pro rata share of responsibility for repair of identified damages before the insurance indemnity of 24.3 million euros recognized in non-current assets on the balance sheet – note 9 (25.0 million euros at December 31, 2006 – note 9);*
- *a provision amounting to 8.0 million euros to face the decision of the French Office of Fair Trading "O.F.T." (Conseil de la concurrence) sanctioning the Group concerning a presumed collusion in Corsica. Vicat appealed against the judgment;*
- *an amount of 7.6 million euros (9.4 million euros at December 31, 2006) corresponding to the estimated amount of the deductible clause relating to claims in the United States in the context of work accidents at year-end, and which will be covered by the Group.*

(2) At December 31, 2006, other risks included an amount of 10.8 million euros corresponding at the balance sheet closing date, to the cost of works to be undertaken by the Group for the account of the local authorities, relating to the rehabilitation of quarry sites in Switzerland. As this obligation ceased to exist, the corresponding provision was recovered in 2007.

The remaining amounts of other provisions amounting to about 14 million euros at December 31, 2007 and at December 31, 2006 corresponds to the sum of other provisions that, taken individually, are not material.

NOTE 16 – FINANCIAL LIABILITIES

Analysis of debt by category and maturity

2007 (in thousands of euros)	Total	2008	2009	2010	2011	2012	More than 5 years
Bank borrowings and financial liabilities	566,577	1,529	22,506	299,489	30,719	694	211,640
Other borrowings and financial liabilities	7,074	3,735	560	239	384	424	1,732
Financial liability on fixed assets under finance leases	10,064	5,413	2,658	1,255	674	64	
Current bank lines and overdrafts	14,874	14,874					
Financial liabilities	**598,589**	**25,551**	**25,724**	**300,983**	**31,777**	**1,182**	**213,372**
o.w. commercial paper	*152,000*			*152,000*			

2006 (in thousands of euros)	Total	2007	2008	2009	2010	2011	More than 5 years
Bank borrowings and financial liabilities	472,320	223	66	22	222,793	30,490	218,726
Other borrowings and financial liabilities	6,427	3,212	694	222	269	360	1,670
Financial liability on fixed assets under finance leases	13,211	5,948	4,085	2,014	831	333	
Current bank lines and overdrafts	23,902	23,902					
Financial liabilities	**515,860**	**33,285**	**4,845**	**2,258**	**223,893**	**31,183**	**220,396**
o.w. commercial paper	*80,000*				*80,000*		

Analysis of debt by currency and type of interest rate

	2007	2006
By currency (net of currency swaps)		
Euros	532,340	482,506
US dollars	27,400	186
Turkish new liras	70	333
CFA francs	32,308	31,569
Swiss francs	6,006	1,266
Egyptian Pound	465	-
Total	**598,589**	**515,860**

	2007	2006
By type of interest rate		
Fixed rate	222,574	229,355
Floating rate	376,015	286,505
Total	**598,589**	**515,860**

The average interest rate for gross bank borrowings and financial liabilities at December 31, 2007 was 5.11%. It was 4.66% at December 31, 2006.

Other information

At December 31, 2007 the Group had 655 million euros in unused confirmed lines of credit that have not been allocated to the hedging of liquidity risk on commercial paper (675 million euros at December 31, 2006).

The Group also has a 152 million euros commercial paper program. At December 31, 2007, 152 million euros in commercial paper had been issued. Commercial paper consists of short-term debt instruments backed by confirmed lines of credit in the amounts issued and classified as medium-term borrowings in the consolidated balance sheet.

The medium- and long-term loan agreements contain specific covenants, especially as regards compliance with financial ratios. Given that Vicat S.A., the parent company of the Group, is practically the only company to have these types of borrowings, and given the Group's low level of net borrowings and financial liabilities and the liquidity of its balance sheet, the existence of these covenants does not represent a risk to the Group's financial position.

At December 31, 2007, the Group is compliant with all ratios required by covenants in financing contracts.

NOTE 17 – FINANCIAL INSTRUMENTS

Foreign exchange risk

The Group's activities are carried out by subsidiaries operating almost entirely in their own country and local currency. This limits the Group's exposure to foreign exchange risk. These companies' imports and exports denominated in currencies other than their own local currency are generally hedged by forward currency purchases and sales. The foreign exchange risk on intercompany loans is hedged by the companies when the borrowing is denominated in a currency other than their currency of account.

The table below set forth the breakdown of the total amount of Group's assets and liabilities denominated in foreign currencies, which are primarily in US dollars, as at December 31, 2007:

(in million of US dollars)	
Assets	11.1
Liabilities	(412.8)
Net position before management	**(401.7)**
Off-balance sheet liabilities	(44.8)
Hedging instruments	400.0
Net position after risk management	**(46.5)**

The hypothetical loss on the net currency position arising from an unfavorable and uniform change of one centime of the operating currency against the US dollar, would amount to a loss of 0.5 million euros.

Moreover, the principal and interest due on a borrowing originally issued by the Group in US dollars (400 million US dollars) were converted into euros through a series of cross currency swaps, included in the portfolio presented below.

Interest rate risk

All floating rate debt is hedged through the use of financial instruments (caps) on original maturities of 10 to 12 years.

The Group is exposed to interest rate risk on its financial assets and liabilities and its short-term investments. This exposure corresponds to price risk for fixed-rate assets and liabilities, and cash flow risk related to floating-rate assets and liabilities.

The Group estimates that a uniform increase of 100 basis points in interest rates would have a non significant impact on its financial result, given the financial instruments (caps) in place as of December 31, 2007.

Liquidity risk

Unused confirmed lines of credit are used to cover the risk of the Group finding itself unable to issue its commercial paper through market transactions. At December 31, 2007, these lines, like the short term notes they covered, amounted to 152 million euros.

Analysis of the portfolio of derivatives at December 31, 2007:

(in thousands of currency units)	Nominal value (currency)	Nominal value (euros)	Market value (euros)	Current maturity < 1 year (euros)	Current maturity 1-5 years (euros)	Current maturity > 5 years (euros)
Fair value hedges						
Composite instruments:						
U.S. dollar cross currency swap fixed/floating	200,000 ($)	135,860	(40,012)[(1)]		(16,332)	(23,680)
Cash flow hedges						
Composite instruments:						
U.S. dollar cross-currency swap fixed/fixed	200,000 ($)	135,860	(36,838)[(2)]		(15,036)	(21,802)
Other derivatives						
Interest rate instruments:						
Euro Caps	100,000 (€)	100,000	(1,829)			(1,829)

(1) Offset by a 39.5 million euros improvement in debt.
(2) Offset by a 40.7 million euros improvement in debt.

NOTE 18 – OTHER LIABILITIES

(in thousands of euros)	2007	2006
Employee liabilities	53,656	51,236
Tax liabilities	15,813	18,139
Other liabilities and accruals	66,691	51,913
Total	**136,160**	**121,288**

NOTE 19 – NET SALES

In compliance with IAS 18, net sales are recognized as the fair value of the consideration received or to be received, after deduction of possible sales discounts or rebates, at the date of the transfer of risks and rewards inherent in title to the goods and services.

(in thousands of euros)	2007	2006
Sales of goods	1,918,271	1,908,578
Sales of services	218,188	174,253
Net sales	**2,136,459**	**2,082,831**

Change in net sales on a like-for-like basis

(in thousands of euros)	December 31, 2007	Changes in consolidation scope	Changes in foreign exchange rates	December 31, 2007 on a like-for-like basis	December 31, 2006
Net sales	2,136,459	12,379	(48,355)	2,172,435	2,082,831

NOTE 20 – PERSONNEL COSTS AND NUMBER OF EMPLOYEES

(in thousands of euros)	2007	2006
Salaries and wages	215,247	212,306
Payroll taxes	85,043	86,350
Employee profit-sharing (French companies)	8,514	7,194
Personnel costs	**308,804**	**305,850**
Average number of employees of the consolidated companies	6,655	6,642

Profit-sharing are granted to the french employees in Vicat shares. The allocation price is determined on the basis of the average of the last 20 closing prices for the defined period preceding its payment.

NOTE 21 – DEPRECIATION, AMORTIZATION AND PROVISIONS

(in thousands of euros)	2007	2006
Net charge to amortization of fixed assets	(130,718)	(121,070)
Net provisions(1)	17,731	753
Net charges to other asset provisions	(380)	(2,578)
Net operating charges to depreciation, amortization and provisions	**(113,367)**	**(122,895)**
Other net charges to non-operating depreciation, amortization and provisions(2)	**(17,343)**	**(14,035)**
Net charges to depreciation, amortization and provisions	**(130,710)**	**(136,930)**

(1) Including at December 31, 2007 a recovery of 10.8 million euros following the ending of the Group's commitment for infrastructure construction in Switzerland as described in note 15.

(2) Including at December 31, 2007 a net amount of 9.4 million euros (14.2 million euros at December 31, 2006) booked to meet the commitment for the estimated share of the Group's liability, above the insurance indemnities, for the damage in 2006 as described in note 15, and a net amount of 8.0 million euros booked to face the decision of the French Office of Fair Trading "O.F.T." (Conseil de la concurrence) sanctioning the Group concerning a presumed collusion in Corsica. Vicat appealed against the judgment.

NOTE 22 – OTHER INCOME (EXPENSES)

(in thousands of euros)	2007	2006
Net income from disposal of assets	2,354	3,004
Income from investment properties	2,678	3,009
Miscellaneous(1)	6,000	9,637
Other operating income (expense)	**11,032**	**15,650**
Other income (expense)(2)	**(11,867)**	**466**
Total	**(835)**	**16,116**

(1) Including at December 31, 2006 a amount of 8.1 million euros received by the Group's US subsidiary for settlement of anti-dumping duty orders.

(2) Including at December 31,2007, a net expense of 10.3 million euros recognized by the Group for expenses booked in 2007 relative to the claims arisen in 2006 as described in note 15.

NOTE 23 – NET FINANCIAL INCOME (EXPENSE)

(in thousands of euros)	2007	2006
Net interest income from financing and cash management activities	8,846	10,367
Net interest expense from financing and cash management activities	(30,417)	(26,157)
Net income from disposal of cash management assets	77	75
Cost of net borrowings and financial liabilities	**(21,494)**	**(15,715)**
Dividends	1,740	1,604
Net impairment of financial fixed assets	2,456	486
Foreign exchange gain (loss)	(1,506)	5,230
Net income (expense) from disposal of non-consolidated assets	2,150	(1,576)
Net income (expense) from discounting	(2,591)	(2,048)
Fair value adjustments to financial assets and liabilities	1,002	3,031
Other income (expense)	(134)	(112)
Other financial income (expense)	**3,117**	**6,615**
Net financial income (expense)	**(18,377)**	**(9,100)**

NOTE 24 – INCOME TAX

Income tax expense

Analysis of income tax expense

(in thousands of euros)	2007	2006
Current taxes	83,629	115,255
Deferred tax (income)	25,117	(8,453)
Total	**108,746**	**106,802**

Income tax expense in 2006 takes into account changes in the income tax rates in Senegal and Turkey. The overall impact of these tax rate changes on deferred taxes resulted in recognition of 10,347 thousand euros of deferred tax income on the December 31, 2006 income statement.

Reconciliation between the computed and the effective tax charge

The difference between the amount of income tax theoretically due at the standard rate and the actual amount due may be analyzed as follows:

(in thousands of euros)	2007	2006
Net earnings from consolidated companies	323,497	312,087
Income tax	108,746	106,802
Net income before tax	432,243	418,889
Standard tax rate	34.43%	34.43%
Theoretical income tax at the parent company rate	**(148,822)**	**(144,223)**
Reconciliation:		
Differences between French and foreign rates	43,350	32,289
Transactions taxed at lower rates	(565)	147
Changes in tax rates(1)	-	10,347
Permanent differences	(4,543)	(4,321)
Investment tax credits	513	376
Other	1,321	(1,417)
Actual income tax expense	**(108,746)**	**(106,802)**

(1) Concerns changes in tax rates in 2006 in Senegal and Turkey.

Deferred tax

Change in deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
(in thousands of euros)	2007	2006	2007	2006
Deferred taxes at January 1	**1,183**	**1,397**	**116,769**	**130,255**
Expense (income) for the year	944	199	26,061	(8,652)
Deferred taxes allocated to shareholders' equity(1)			5,714	857
Translation and other changes	418	(6)	(3,847)	(6,537)
Changes in consolidation scope	(87)	(9)	5,857	846
Deferred taxes at December 31	**2,458**	**1,183**	**150,554**	**116,769**

(1) Changes in deferred taxes due mainly to the change in the fair value of the hedging instrument, the efficient portion of which is recognized in shareholders' equity (in documented cases of cash flow hedges), and changes in deferred taxes due to a change in tax rates in Senegal and Turkey in 2006 for that portion pertaining to items previously recognized in shareholders' equity.

Analysis of net deferred tax (expense)/income by principal category of timing difference

(in thousands of euros)	2007	2006
Fixed assets and finance leases	2,205	16,677
Financial instruments	(315)	(1,094)
Pensions and other post-employment benefits	(176)	(385)
Accelerated depreciation and regulated provisions	(26,878)	(4,238)
Other timing differences, tax loss carry-forwards and miscellaneous	47	(2,507)
Net deferred tax expense	**(25,117)**	**8,453**

Source of deferred tax assets and liabilities

(in thousands of euros)	2007	2006
Fixed assets and finance leases	108,304	84,567
Financial instruments	527	(6,637)
Pensions	(10,590)	(7,968)
Other provisions for contingencies and charges (discounting)	25,833	(770)
Accelerated depreciation and regulated provisions	22,339	16,569
Other timing differences, tax loss carry-forwards and miscellaneous	1,683	29,825
Net deferred tax assets and liabilities	**148,096**	**115,586**
Deferred tax assets on the balance sheet	(2,458)	(1,183)
Deferred tax liabilities on the balance sheet	150,554	116,769
Net balance	**148,096**	**115,586**

NOTE 25 – SECTOR INFORMATION

Business sectors

2007 (in thousand euros except number of employees)	Cement	Concrete & Aggregates	Other Products & Services	Total
INCOME STATEMENT				
Net operating sales (after intra-sector eliminations)	1,156,197	950,299	369,286	2,475,782
Inter-sector eliminations	(227,234)	(36,219)	(75,870)	(339,323)
Consolidated net sales	**928,963**	**914,080**	**293,416**	**2,136,459**
Operating income	336,308	96,507	17,805	450,620
BALANCE SHEET				
Capital employed[1]	1,775,444	356,549	120,574	2,252,567
OTHER INFORMATION				
Acquisitions of intangible & tangible assets	241,398	48,552	21,540	311,490
Depreciation and amortization charges	76,364	41,438	12,916	130,718
Average number of employees	2,413	2,827	1,415	6,655

2006 (in thousand euros except number of employees)	Cement	Concrete & Aggregates	Other Products & Services	Total
INCOME STATEMENT				
Net operating sales (after intra-sector eliminations)	1,095,345	974,447	347,908	2,417,700
Inter-sector eliminations	(231,611)	(30,157)	(73,101)	(334,869)
Consolidated net sales	**863,734**	**944,290**	**274,807**	**2,082,831**
Operating income	308,545	105,738	13,706	427,989
BALANCE SHEET				
Capital employed[1]	1,530,557	310,242	128,934	1,969,733
OTHER INFORMATION				
Acquisitions of intangible & tangible assets	165,786	45,118	12,719	223,623
Depreciation and amortization charges	71,335	38,273	11,462	121,070
Average number of employees	2,309	2,897	1,436	6,642

Geographical sectors

2007 (in thousands of euros)	France	Switzerland and Italy	U.S.A.	Turkey and Kazakhstan	Senegal and Egypt	Total
Consolidated net sales	1,027,570	284,565	363,639	201,520	259,165	2,136,459
Operating income	195,525	57,816	59,284	54,581	83,414	450,620
Capital employed(1)	596,106	380,151	309,689	439,455	527,166	2,252,567
Acquisitions of intangible & tangible assets	90,935	32,744	19,302	64,174	104,335	311,490
Average number of employees	2,644	1,059	1,222	875	855	6,655

2006 (in thousands of euros)	France	Switzerland and Italy	U.S.A.	Turkey	Senegal and Egypt	Total
Consolidated net sales	978,480	259,353	420,162	203,786	221,050	2,082,831
Operating income	188,729	47,856	82,790	54,151	54,463	427,989
Capital employed(1)	565,420	313,707	356,273	286,519	447,814	1,969,733
Acquisitions of intangible & tangible assets	67,727	15,420	45,766	47,642	47,068	223,623
Average number of employees	2,784	941	1,260	859	798	6,642

(1) Capital employed correspond to the sum of non-current assets, assets and liabilities held for sale, and net working capital, after deduction of provisions and deferred taxes.

NOTE 26 – STATEMENT OF CASH FLOWS

Acquisition / disposal of shares of consolidated companies

Transactions to acquire and dispose of shares in consolidated companies carried out in 2007 resulted in a total cash inflow of 23.1 million euros and a total cash outflow of 92.8 million euros, for a net outflow of 69.7 million euros.

The main acquisitions carried out by the Group during 2007 were the purchase of a majority stake in Kazakhstan in December 2007 for building a cement production plant and the acquisition during the first half of 2007 of the Swiss companies Astrada and Desmeules Frères.

The main disposals carried out by the Group during 2007 were made during the first half of the year in accordance with the two agreements signed late 2006 concerning the disposal of the trading of building materials and the pipe precast activities in France.

In 2006, transactions related to changes in the consolidation scope resulted in a total cash inflow of 12.7 million euros and a total cash outflow of 5.6 million euros, for a net positive flow of 7.1 million euros.

Analysis of net cash balances

(in thousands of euros)	At December 31, 2007	At December 31, 2006
Cash and cash equivalents (see note 12)	83,595	259,586
Bank overdrafts	(13,960)	(22,988)
Net cash balances	**69,635**	**236,598**

NOTE 27 – EXECUTIVE MANAGEMENT COMPENSATION

Pursuant to Article 225.102-1 of the French Code of commerce, we hereby present the total gross compensation paid to each executive director during fiscal year 2007: J. Merceron-Vicat, 720,235 euros; G. Sidos, 450,088 euros; JM. Allard, 298,776 euros; B. Titz, 298,466 euros; L. Merceron-Vicat, 221,013 euros.

These amounts do not include any variable components and represent the total compensation paid by Vicat S.A. and any companies it controls, or is controlled by, as defined by Article L. 233-16 of the Code of commerce.

Furthermore, no stock or stock options have been awarded to the above executive directors with the exception of any income received under legal or contractual employee profit-sharing or incentive bonus plans.

Lastly, the aforementioned executive directors also benefit from a supplemental pension plan as defined in Article 39 of the French General Tax Code (CGI). The corresponding commitments were all reserved in the financial statements, in the same manner as all of the Group's post-employment benefits, in the amount of 6,871 thousand euros at December 31, 2007 (note 1.15).

NOTE 28 – TRANSACTIONS WITH RELATED PARTIES

Transactions conducted with non-consolidated companies or associated companies did not have a material impact in 2007, and are carried out at arm's length.

The effect of these transactions on the Group's consolidated financial statements for 2007 and 2006 is as follows, broken down by type and by related party:

	2007				2006			
(in thousands of euros)	Sales	Purchases	Receivables	Debts	Sales	Purchases	Receivables	Debts
Affiliated companies	682	700	4,098	195	801	738	5,430	247
Joint ventures	1,492	1,095	235	1,025	1,280	800	557	330
Other related parties	8	1,549	35	213	8	1,530	31	263
Total	**2,182**	**3,344**	**4,368**	**1,433**	**2,089**	**3,068**	**6,018**	**839**

NOTE 29 – FEES PAID TO THE STATUTORY AUDITORS AND OTHER ADVISORS

The fees paid to independent auditors and other advisors in their networks as recognized in the financial statements of Vicat S.A. and its fully consolidated subsidiaries for 2007 and 2006 are as follows:

	KPMG				Wolff				Other			
(in thousand of euros)	Amount (HT)		%		Amount (HT)		%		Amount (HT)		%	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Audit												
Statutory auditors, certification, examination of individual and consolidated accounts	665	668	40	42	266	216	16	14	723	687	44	44
- *Vicat S.A.*	*148*	*140*	*9*	*9*	*138*	*132*	*8*	*8*				
- *Companies which are fully or proportionaly consolidated*	*517*	*528*	*31*	*34*	*128*	*84*	*8*	*5*	*723*	*687*	*44*	*44*
Other forms of investigation and directly related services	169	1	67	17	85	5	33	83				
- *Vicat S.A.*	*166*		*66*		*85*		*33*					
- *Companies which are fully or proportionaly consolidated*	*3*	*1*	*1*	*17*		*5*		*83*				
Total Audit fees	**834**	**669**	**44**	**42**	**351**	**221**	**18**	**14**	**723**	**687**	**38**	**44**
Other services												
Legal, tax and employee-related services	3	10	100	100								
Other fees	3		100							2		100
Total other fees	**6**	**10**	**100**	**83**						**2**		**17**
Total Fees	**840**	**679**	**44**	**43**	**351**	**221**	**18**	**14**	**723**	**689**	**38**	**43**

NOTE 30 – POST BALANCE SHEET EVENTS

No post balance sheet event has had a material impact on the consolidated financial statements at December 31.

NOTE 31 – LIST OF SIGNIFICANT CONSOLIDATED COMPANIES AT DECEMBER 31, 2007

FULLY CONSOLIDATED: FRANCE

Company	Address	Siren No.	% controlling Dec. 2007	% controlling Dec. 2006
VICAT	Tour Manhattan 6, place de l'Iris 92095 PARIS-LA DÉFENSE	057 505 539	----	----
ALPES INFORMATIQUE	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	073 502 510	98.96	98.96
ANNECY BÉTON CARRIÈRES	14, chemin des grèves 74960 CRAN-GEVRIER	326 020 062	50.01	50.01
ATELIER DU GRANIER	Lieu-dit Chapareillan 38530 PONTCHARRA	305 662 504	100.0	100.0
BÉTON CONTROLE CÔTE D'AZUR	217, route de Grenoble 06200 NICE	071 503 569	95.97	95.83
BÉTON DE L'OISANS	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	438 348 047	60.00	60.00
BÉTONS GRANULATS DU CENTRE	Les Genevriers 63430 LES MARTRES D'ARTIERE	327 336 343	100.00	100.00
BÉTON RHÔNE-ALPES	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	309 918 464	99.53	99.53
BEROUD	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	398 044 222	100.00	100.00
BÉTON TRAVAUX	Tour Manhattan 6, place de l'Iris 92095 PARIS-LA DÉFENSE	070 503 198	99.98	99.97
BÉTON YSSINGELAIS	Villeneuve 43200 YSSINGEAUX	328 308 556	100.00	100.00
B.G.I.E. BÉTON GRANULATS IDF/EST	52-56, rue Jacquard Z.I. 77400 LAGNY-SUR-MARNE	344 933 338	100.00	100.00
BOUE	Lieu-dit Bourjaguet 31390 CARBONNE	620 800 359	100.00	100.00
BRA	2, chemin du Roulet 69100 VILLEURBANNE	310 307 392	100.00	100.00
CONDENSIL	1327, avenue de la Houille Blanche 73000 CHAMBÉRY	342 646 957	60.00	60.00
DELTA POMPAGE	1327, avenue de la Houille Blanche 73000 CHAMBÉRY	316 854 363	100.00	100.00
FOURNIER	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	586 550 147	100.00	100.00
GRANULATS RHÔNE-ALPES	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	768 200 255	100.00	100.00
GRAVIÈRES DE BASSET	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	586 550 022	100.00	100.00
KRISTO	10, rue de la Corne d'Abondance Village d'entreprises 74100 VILLE-LA-GRAND	388 592 735	100.00	100.00
MARIOTTO BÉTON	Route de Paris 31150 FENOUILLET	720 803 121	100.00	100.00
MATÉRIAUX S.A.	7 bis, boulevard Serot 57000 METZ	378 298 392	99.99	99.99
MATÉRIAUX CENTRE FRANCE	Route de Clermont-Ferrand ZI Sud – NR 9 03800 GANNAT	331 338 913	(1)	100.00
MONACO BÉTON	24, avenue de Fontvielle 98000 MONACO	326 MC 161	79.60	79.60
PARFICIM	Tour Manhattan 6, place de l'Iris 92095 PARIS-LA DÉFENSE	304 828 379	100.00	100.00
RUDIGOZ	Les communaux Route de St-Maurice-de-Gourclans 01800 PÉROUGES	765 200 183	100.00	100.00
SABLIÈRES DU GRÉSIVAUDAN	La Gache 38530 BARRAUX	065 502 627	100.00	100.00
SATMA	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	304 154 651	99.99	99.99
SATM	1327, avenue de la Houille Blanche 73000 CHAMBÉRY	745 820 126	99.99	99.99
SIGMA BÉTON	4, rue Aristide Bergès 38080 L'ISLE-D'ABEAU	343 019 428	100.00	100.00
SOCIÉTÉ AZURÉENNE DE GRANULATS	217, route de Grenoble 06200 NICE	968 801 274	100.00	100.00
PAPETERIES DE VIZILLE	Tour Manhattan 6, place de l'Iris 92095 PARIS-LA DÉFENSE	319 212 726	100.00	100.00
BÉTON 83	ZI Camp Laurent 83500 LA SEYNE-SUR-MER	436 780 555	100.00	100.00
VICAT INTERNATIONAL TRADING	Tour Manhattan 6, place de l'Iris 92095 PARIS-LA DÉFENSE	347 581 266	100.00	100.00
VICAT PRODUITS INDUSTRIELS	52-56, rue Jacquard Z.I. 77400 LAGNY-SUR-MARNE	655 780 559	99.99	99.99

(1) Company sold on the 1st half of 2007.

FULLY CONSOLIDATED: REST OF WORLD

Company	Country	State/City	% controlling Dec. 2007	Dec. 2006
SINAI CEMENT COMPANY	EGYPT	CAIRO	52.02	48.25
ANYS(2)	KAZAKHSTAN	ALMATY	60.00	-
BUILDERS CONCRETE	U.S.A.	CALIFORNIA	100.00	100.00
KIRKPATRICK	U.S.A.	ALABAMA	100.00	100.00
NATIONAL CEMENT COMPANY	U.S.A.	ALABAMA	100.00	100.00
NATIONAL CEMENT COMPANY	U.S.A.	DELAWARE	100.00	100.00
NATIONAL CEMENT COMPANY OF CALIFORNIA	U.S.A.	DELAWARE	100.00	100.00
NATIONAL READY MIXED	U.S.A.	CALIFORNIA	100.00	100.00
UNITED READY MIXED	U.S.A.	CALIFORNIA	100.00	100.00
VIKING READY MIXED	U.S.A.	CALIFORNIA	100.00	100.00
CEMENTI CENTRO SUD SPAA	ITALY	GENOVA	100.00	100.00
CIMENTS & MATÉRIAUX DU MALI	MALI	BAMAKO	95.00	95.00
GÉCAMINES	SENEGAL	THIES	70.00	70.00
POSTOUDIOKOUL	SENEGAL	RUFISQUE (DAKAR)	100.00	100.00
SOCOCIM INDUSTRIES	SENEGAL	RUFISQUE (DAKAR)	99.91	99.91
SODEVIT	SENEGAL	BANDIA	100.00	100.00
ALTOLA AG	SWITZERLAND	OLTEN (SOLOTHURN)	100.00	100.00
ASTRADA AEBISHOLZ OENSINGEN(2)	SWITZERLAND	AEBISHOLZ (SOLOTHURN)	99.64	-
DEPONIE RÜMBERGACKER(2)	SWITZERLAND	GUNZGEN (SOLOTHURN)	99.64	-
ASTRADA HOLDING(2)	SWITZERLAND	GUNZGEN (SOLOTHURN)	99.64	-
ASTRADA KIES AG(2)	SWITZERLAND	AEBISHOLZ (SOLOTHURN)	99.64	-
BETON AG INTERLAKEN	SWITZERLAND	MATTEN BEI INTERLAKEN (BERN)	98.55	96.80
BETON FRAIS MOUTIER SA	SWITZERLAND	BELPRAHON (BERN)	90.00	90.00
BETON GRAND TRAVAUX SA	SWITZERLAND	ASUEL (JURA)	75.00	75.00
BETONPUMPEN OBERLAND AG	SWITZERLAND	WIMMIS (BERN)	72.22	71.18
BFL BÉTON FRAIS LOVERESSE SA	SWITZERLAND	LOVERESSE (BERN)	90.47	90.47
BIEDERMANN SAND UND KIES TRANSPORT AG	SWITZERLAND	SAFNERN (BERN)	100.00	100.00
CEMENTWERK DÄRLIGEN AG	SWITZERLAND	DÄRLIGEN (BERN)	98.55	96.64
COVIT SA	SWITZERLAND	SAINT-BLAISE (NEUCHATEL)	100.00	100.00
CREABETON MATÉRIAUX SA	SWITZERLAND	LYSS (BERN)	100.00	100.00
DESMEULES FRÈRES SA(2)	SWITZERLAND	GRANGES (VAUD)	100.00	-
EMME KIES + BETON AG	SWITZERLAND	LÜTZELFLÜH (BERN)	66.66	66.66
FBF FRISCHBETON AG FRUTIGEN	SWITZERLAND	FRUTIGEN (BERN)	98.55	96.80
FRISCHBETON AG DARLIGEN	SWITZERLAND	DÄRLIGEN (BERN)	73.91	72.60
FRISCHBETON AG ZUCHWILL	SWITZERLAND	ZUCHWIL (SOLOTHURN)	88.94	88.94
FRISCHBETON LANGANTHAL AG	SWITZERLAND	LANGENTHAL (BERN)	81.17	77.83
FRISCHTI BAUELEMENTE AG(2)	SWITZERLAND	GUNZGEN (SOLOTHURN)	99.64	-
KIES- UND BETONWERK REULISBACH AG	SWITZERLAND	ST STEPHAN (BERN)	98.55	96.80
KIESTAG STEINIGAND AG	SWITZERLAND	WIMMIS (BERN)	98.55	96.80

(2) Company entered in the consolidation scope in 2007.

FULLY CONSOLIDATED: REST OF WORLD (continued)

Company	Country	State/City	% controlling Dec. 2007	% controlling Dec. 2006
KIESWERK GUNZGEN AG[2]	SWITZERLAND	GUNZGEN (SOLOTHURN)	100.00	-
KIESWERK NEUENDORF AG[2]	SWITZERLAND	NEUENDORF (SOLOTHURN)	100.00	-
MATERIALBEWIRTSCHTUNG MITHOLZ AG	SWITZERLAND	KANDERGRUND (BERN)	98.55	96.80
MICHEL & CO AG	SWITZERLAND	BÖNIGEN (BERN)	98.55	96.80
SHB STEINBRUCH + HARTSCHOTTER BLAUSEE MITHOLZ AG	SWITZERLAND	FRUTIGEN (BERN)	98.55	96.80
STEINBRUCH VVORBERG AG	SWITZERLAND	BIEL (BERN)	60.00	60.00
VIBETON FRIBOURG SA	SWITZERLAND	ST. URSEN (FRIBOURG)	100.00	100.00
VIBETON KIESS AG	SWITZERLAND	LYSS (BERN)	100.00	100.00
VIBETON SAFNERN AG	SWITZERLAND	SAFNERN (BERN)	90.47	90.47
VIGIER CEMENT AG	SWITZERLAND	PERY (BERN)	100.00	100.00
VIGIER HOLDING AG	SWITZERLAND	DEITINGEN (SOLOTHURN)	100.00	100.00
VIGIER MANAGEMENT AG	SWITZERLAND	DEITINGEN (SOLOTHURN)	100.00	100.00
VIRO AG	SWITZERLAND	DEITINGEN (SOLOTHURN)	100.00	100.00
VITRANS AG	SWITZERLAND	PERY (BERN)	100.00	100.00
WYSS KIESWERK AG	SWITZERLAND	FELDBRUNNEN (SOLOTHURN)	100.00	100.00
AKTAS	TURKEY	ANKARA	100.00	100.00
BASTAS BASKENT CIMENTO	TURKEY	ANKARA	85.22	85.00
BASTAS HAZIR BETON	TURKEY	ANKARA	85.22	85.00
KONYA CIMENTO	TURKEY	KONYA	80.68	80.68
TAMTAS	TURKEY	ANKARA	100.00	100.00

(2) Company entered in the consolidation scope in 2007.

PROPORTIONATE CONSOLIDATION: FRANCE

Company	Address	Siren No.	% controlling Dec. 2007	% controlling Dec. 2006
CARRIÈRES BRESSE BOURGOGNE	Port Fluvial Sud de Chalon 71380 ÉPERVANS	655 850 055	33.27	33.27
DRAGAGES ET CARRIÈRES	Port Fluvial Sud de Chalon 71380 ÉPERVANS	341 711 125	50.00	50.00
SABLIÈRES DU CENTRE (2)	Les Genévriers Sud 63430 LES-MARTRES-D'ARTIÈRE	480 107 457	50.00	-

(2) Company entered in the consolidation scope in 2007.

PROPORTIONATE CONSOLIDATION: REST OF WORLD

Company	Country	State/City	% controlling Dec. 2007	% controlling Dec. 2006
BFT – BÉTON FRAIS TUFFIÈRE S.A.	SWITZERLAND	VILLARS-SUR-GLAN (FRIBOURG)	43.83	43.83
FRISHBETON TAFERS AG	SWITZERLAND	TAFERS (FRIBOURG)	49.50	49.50
SABLES + GRAVIERS TUFFIERE S.A.	SWITZERLAND	HAUTERIVE (FRIBOURG)	43.83	43.83

EQUITY METHOD: FRANCE

Company	Address	Siren No.	% controlling Dec. 2007	% controlling Dec. 2006
SOCAVA	74490 ST-JEOIRE-EN-FAUCIGNY	606 320 752	39.90	39.90

EQUITY METHOD: REST OF WORLD

Company	Country	State/City	% controlling Dec. 2007	% controlling Dec. 2006
HYDROELECTRA	SWITZERLAND	AU (ST. GALLEN)	49.00	49.00
SILO TRANSPORT AG	SWITZERLAND	BERN (BERN)	50.00	50.00

Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in all audit reports, whether qualified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2007

To the shareholders,

In compliance with the assignment entrusted to us by the shareholders in general meeting, we have audited the accompanying consolidated financial statements of Vicat S.A. for the year ended December 31, 2007.

The consolidated financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the assets, liabilities, and financial position of the consolidated group of entities as at December 31, 2007 and of its result for the year then ended.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- At each reporting date, the Company tests for impairment any goodwill acquired in a business combination and assets with indefinite useful lives, and also assesses whether there is any indication that non-current assets may be impaired, using the methodology disclosed in note 1.11 of the financial statements. We have examined the procedures for the performance of the impairment review, and the expected future cash flows and the related assumptions.
- Notes 1-15 and 14 specify the methods of evaluation of post-employment benefits and other long-term employee benefits. These obligations have been evaluated by independent actuaries. The work we performed consisted of examining data used in the calculations, assessing the assumptions, and verifying that the disclosures contained in notes 1-15 and 14 of the financial statements provide appropriate information.

The assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report. We have no matters to report regarding its fair presentation and conformity with the consolidated financial statements.

The statutory auditors

Paris-La Défense, March 7, 2008

KPMG Audit

A division of KPMG S.A.

Jean-Marc Decléty

Partner

Chamalières, March 7, 2008

Wolff & Associés S.A.S.

Grégory Wolff

Partner

Parent company

Parent company balance sheet at December 31, 2007

ASSETS

(in thousands of euros)	2007	2006
Intangible assets	6,152	5,553
Property, plant and equipment	251,461	209,248
Long-term investments	1,212,808	1,030,307
Non current assets	**1,470,421**	**1,245,108**
Inventories	69,503	54,410
Trade receivables and related accounts	145,450	144,069
Others receivables and related accounts	58,133	96,077
Short-term investments	24,684	51,611
Cash and equivalents	1,447	6,341
Current assets	**299,217**	**352,508**
Total assets	**1,769,638**	**1,597,616**

SHAREHOLDERS' EQUITY AND LIABILITIES

(in thousands of euros)	2007	2006
Share capital	187,085	187,085
Additional paid capital and merger premiums	11,207	11,207
Reserves and retained earnings	674,330	624,688
Year result	82,336	109,684
Regulated provisions	54,476	39,815
Shareholders' equity	**1,009,434**	**972,479**
Provisions	**16,784**	**7,734**
Debt and other financing liabilities	511,348	445,310
Trade payables and related accounts	42,122	44,477
Other payables and accruals	189,950	127,616
Liabilities	**760,204**	**625,137**
Total shareholders' equity and liabilities	**1,769,638**	**1,597,616**

Parent company income statement for the year ended December 31, 2007

(in thousands of euros)	2007	2006
Net sales	510,433	475,748
Goods and services purchased	(263,896)	(247,701)
Added value	246,537	228,047
Personnel costs	(56,848)	(54,663)
Taxes	(16,518)	(17,930)
Operating grants	339	299
Gross operating earnings	173,510	155,753
Other income	1,540	1
Depreciation, amortization and provisions	(15,765)	(14,476)
Earnings before interest and taxes	**159,285**	**141,278**
Net financial income (expense)	(31,755)	16,898
Earnings before non operating items, profit sharing and taxes	**127,530**	**158,176**
Net non operating income (expense)	(21,773)	(4,102)
Employee profit sharing	(5,416)	(5,050)
Income taxes	(18,005)	(39,340)
Net earnings	**82,336**	**109,684**

Notes to the parent company financial statements

ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the laws and regulations applicable in France.

Significant accounting policies used in preparation of the accompanying financial statements follows:

Property, plant and equipment are recorded at acquisition or production cost. Property, plant and equipment acquired before December 31, 1976 have been restated.

Amortization is calculated on a straight-line basis over the estimated useful lives of the assets concerned. Amortization calculated on a tax rate method is reported in the balance sheet under "Regulated provision".

Mineral reserves and related development costs are amortized using the units of production method.

Investments are recorded at cost and adjusted to market value when a significant and permanent decline in value occurs. Investments acquired before December 31, 1976 have been restated.

No manufactured inventories are recorded at the lower of cost, determined on a weighted average basis, or market. Cost includes the purchase price plus incidental expenses. Manufactured products are recorded at cost and include labor, material, manufacturing overhead and other direct costs of production.

Receivables and payables are recorded at cost.

Depreciations are made to recognize losses on doubtful receivables and inventories that may arise at year-end.

Receivables and payables denominated in foreign currencies are recorded using the exchange rates prevailing at the date of the transaction. At year end, these receivables and payables are valued in the balance sheet at exchange rates in effect at year end. Differences arising from revaluation of these receivables and payables are reported in the balance sheet under "Translation differentials".

Additional provisions are made for unrealized currency losses that do not offset.

Short term investment securities are valued at cost or at market value if lower.

SALES ANALYSIS

Net sales by geographical area and activity break down as follows for the year ended December 31, 2007:

(in thousands of euros)	France	Other countries	Total
Cement	448,901	23,668	472,569
Paper	29,658	8,206	37,864
Total	**478,559**	**31,874**	**510,433**

ANALYSIS OF THE FINANCIAL STATEMENTS

A. Non current assets

Intangible and tangible assets

(in thousands of euros)	Gross value at beginning of year	Additions	Retirements	Gross value at end of year
Concessions, patents, goodwill and other intangible assets	14,236	1,296	200	15,332
Land and improvements	79,041	2,425	71	81,395
Buildings and improvements	138,351	13,790	638	151,503
Technical facilities, equipment and industrial tools	423,896	47,200	4,359	466,737
Other tangible assets	22,394	2,370	1,188	23,576
Fixed assets in progress	31,305	54,254	62,002	23,557
Advances and installments	348	592	156	784
Total	**709,571**	**121,927**	**68,614**	**762,884**

(in thousands of euros)	Accumulated depreciation, at beginning of year	Provision	Retirement	Accumulated depreciation at end of year
Concessions, patents, goodwill and other intangible assets	8,683	696	199	9,180
Land and improvements	11,513	768	5	12,276
Buildings and improvements	96,588	4,738	639	100,687
Technical facilities, equipment and industrial tools	357,449	9,439	4,360	362,528
Other tangible assets	19,479	1,251	1,188	19,542
Total	**493,712**	**16,892**	**6,391**	**504,213**

Goodwill, fully amortized, corresponds to business assets received prior to the 1986 fiscal year.

The quotas allocated by the government in the framework of the National Quotas Allocation Plan (PNAQ) amounted to 2,491 thousand tons of greenhouse gas emissions in 2007. They were recorded neither in assets nor in liabilities.The shortfall versus actual emissions of 2,558 thousand tons required the purchases of an additional quantity of 67 thousand tons which were recognized as an expenditure during the year.

Property, plant and equipment are depreciated as follows:

- Buildings: 20-40 years
- Complex facilities: 8-10 years
- Antipollution facilities: 6-2/3 years
- Vehicles and rolling materials: 4-5 years
- Sundry equipments: 5 years
- Computer equipment: 3 years

Long-term investments:

Long-term investments increased by €240,245 thousand and consist of the following:

- Increase of investments in companies: 813
- Change in other long-term investments: 239,432

+ 240,245

In the framework of the share buyback program authorised by the ordinary general meeting of the shareholders of May 16, 2007, Vicat purchased 2,664,367 shares at a price per unit of 86 euros, representing a global amount of 229,136 thousand of euros, in the context of the public offer at open price initiated by HeidelbergCement for the sale of its participation of 35% in Vicat's share capital.

At the end of the year, a financial provision of €57,211 thousand was booked on the basis of the average share daily market value of December.

In accordance with a liquidity agreement entered into with an investment services provider – CA Cheuvreux – 79,500 Vicat shares representing a global amount of €5,684 thousand and an amount of €4,557 thousand were allocated, at December 31, 2007, for the use under this liquidity agreement.

Loans and other long-term investments break down as follow:

• within one year:	0
• over one year:	241,837
	241,837

B. Shareholders' equity

At December 31, 2007, the share capital outstanding amounts to €187,084,800 and was divided into 46,771,200 shares of €4 per share.

The share ownership breaks down as follows:

• Employees		4.33%
including salaried shareholders*	2.66%	
• Family, Parfininco and Soparfi		58.02%
• Vicat		7.06%

** In accordance with article L. 225-102 of the French Commercial Code.*

Change in shareholders' equity

(in thousands of euros)	2007	2006
Shareholders' equity at the beginning of year	972,479	883,429
Shareholders' equity at the end of year	1,009,434	972,479
Change	**36,955**	**89,050**
ANALYSIS OF CHANGE		
Net income	82,336	109,684
Dividends paid (1)	(60,037)	(29,338)
Other change	(5)	(3)
Revaluation and regulated provision	14,661	8,707
	36,955	**89,050**

(1) Less dividends on owner shares.

Regulated reserves break down as follows:

• Price increase provision	5,738
• Special tax depreciation of assets	43,378
• Special revaluation provision	2,470
• Investment provision	2,890
	54,476

C. Provisions for risks and other charges

(in thousands of euros)	Amount at the beginning of year	Allowance for the year	Reversal of depreciation	Amount at the end of year
Provisions for quarry rehabilitation	6,236	477	812	5,901
Provisions for major repairs	454	-	454	-
Provisions for disputes	583	8,045	539	8,089
Other charges	461	2,367	34	2,794
Total	**7,734**	**10,889**	**1,839**	**16,784**

Provisions for risk and other charges amounted to €16,783 thousand and cover in particular forecasted charges related to the French regulated quarry depletion provision for an amount of €5,901 thousand. These provisions are made for each of the quarries based on actual tonnage extracted times an estimated per ton cost of the work to be performed at the end of operations.

The provisions for disputes include an amount of €8,000 thousand to face the decision of the French Office of Fair Trading *(Conseil de la concurrence)* in March 2007, sanctioning the Company for presumed collusion in Corsica. Vicat appealed against the judgement.

Others charges included an amount of €2,245 thousand corresponding to the tax due to the subsidiaries in the framework of the tax sharing agreement.

D. Borrowings and financing liabilities

During 2007, long term debt and other bank borrowings increased by €66,038 thousand.

Statement of maturities

(in thousands of euros)	Gross amount	Maximum 1 year	1-5 years	+5 years
Borrowings and debt with credit institutions [1]	505,204	-	293,311	211,893
Miscellaneous loans & borrowings	894	85	338	471
Short term bank borrowings and bank overdrafts	5,250	5,250	-	-
(1) Including commercial paper.	*152,000*	-	*152,000*	-

Other information

At December 31, 2007, the Company had €519 million in unused confirmed lines of credit that have not been allocate to the hedging of liquidity risk on commercial paper (€591 million at December 31, 2006).

The Company also has a €152 million commercial paper program. At December 31, 2007, €152 million in commercial paper had been issued. Commercial paper consists of short-term debt instruments backed by confirmed lines of credit in the amounts issued and classified as medium-term borrowings in the consolidated balance sheet.

The medium and long-term loan agreements contain specific covenants, especially as regard compliance with financial ratios. The existence of these covenants does not represent a risk to the Company's financial position.

Financial instruments

Foreign exchange risk

The principal and interest due on a borrowing originally issues by the Group in US dollars were converted into euros through a series of cross currency swaps.

Interest rate risk

All floating rate debt is hedged through the use of financial instruments (caps) on original maturities of 7 to 9 years for an amount of €100 million at December 31, 2007.

Liquidity risk

Unused confirmed lines of credit are used to cover the risk of the company finding itself unable to issue its commercial paper through market transactions. At December 31, 2007, these lines, like the short term notes they covered, amounted to €152 million.

E. Statement of maturities for trade receivables and payables

All trade receivables and payables have maturities of one year or less.

F. Other balance sheet and income statement information

Non operating income includes a net allowance regulated provision of €15,119 thousand, a provision amounting to €8,000 thousand to face the decision of the French Office of Fair Trading (see Note C), an amount of €3,335 thousand relating to the costs of the public offering in France (see Note A), and a gain from allotment of shares for the purpose of employees profit sharing for an amount of €7,147 thousand.

Others items are as follows:

Items concerning several balance sheet accounts (in thousands of euros)	**Associated companies**	**Payables and receivables represented by commercial paper**
Long term investments	1,025,529	
Trade receivables and related accounts	33,805	42,414
Other receivables	11,518	
Trade payables and related accounts	11,563	12,000
Other liabilities	116,040	
INCOME STATEMENT ITEMS		
Financial expenses	4,162	
Financial income excluding dividends	2,867	

Accrued liabilities

(in thousands of euros)	**Amount**
Borrowings and debt with credit institutions	3,056
Trade payables and related accounts	15,493
Tax and employee-related payables	11,931
Other liabilities	705
Total	**31,185**

Prepaid expenses

(in thousands of euros)	**Amount**
Operating expenses	863
Financial expenses	560
Total	**1,423**

Short-term investments

Short-term investments securities break down as follow:

559,380 owner shares for an amount of €24,684 thousand acquired for the purpose of allotment of shares to employees. The market value as of December 31, 2007 amounts €35,543 thousand.

Analysis of corporate income tax and additional contributions

Breakdown (in thousands of euros)	**Profit (loss) before tax**	**Corporate income tax**	**Social contribution**	**Profit (loss) after-tax**
Current profit (loss)	127,530	(25,258)	(975)	101,297
Non operating items and profit-sharing	(27,189)	7,922	306	(18,961)
Book profit (loss)	**100,341**	**(17,336)**	**(669)**	**82,336**

Off-balance sheet commitments

Commitments given (in thousands of euros)	Off-balance sheet amount
Accrued retirement indemnities [1]	9,504
Guaranties granted to subsidiaries	31,250
Total	**40,754**

(1) Including an amount of €3,341 thousand relating to a pension scheme for the officers and other managers of the Company implemented in addition to the legal and complementary pension schemes.

Commitments received (in thousands of euros)	Amount
Confirmed credit lines [1]	671,000
Other commitments received	9,605
Total	**680,605**

(1) Including 152,000 thousand euros allocated to coverage of the programme of commercial paper issue.

Retirement indemnities are accrued in accordance with the terms of collectively labor agreements, using assumptions for personnel turnover, life expectancy and salary increases. Liabilities are calculated including social charges, in proportion to service cost.

Principal actuarial assumptions are as follows:

- Discount note: 5.25%
- Wage inflation: from 2.5% to 4%
- Rate of inflation: 2%

Impact of the special tax valuations

Headings (in thousands of euros)	Allowances	Reinstatements	Amounts
Profit of the period			82,336
Income tax			17,336
Social taxes			669
Pretax profit			**100,341**
Change in special tax depreciation of assets	14,493	1,275	13,218
Change in investment provision	842	458	384
Change in revaluation provision	-	27	(27)
Change in the price increase provisions	1,692	607	1,085
Subtotal	**17,027**	**2,367**	**14,660**
Profit excluding the special tax valuations (before tax)			**115,001**

Vicat, together with twenty subsidiaries, entered into a tax sharing agreement whereby they have elected to file a consolidated tax return.

According to the tax sharing agreement, the effective tax expenses accounted for by the subsidiaries are calculated as if no tax sharing. The tax saving resulting from the tax sharing agreement is awarded to the parent company, notwithstanding the tax due to the tax losses subsidiaries.

At December 31, 2007, this profit amounted to €3,301 thousand, minus a provision of €2,245 thousand corresponding to the tax due to the subsidiaries.

Deferred tax

Headings (in thousands of euros)	Amount
TAX DEBITS ON:	
Price increase provisions	1,976
Special tax depreciation	14,935
Total increases	**16,911**

Headings (in thousands of euros)		Amount
Expenses temporarily non-deductible (to be deducted the following year)		2,151
Including profit-sharing expenses	1,865	
Total reductions		**2,151**
Net deferred tax		**14,760**

Miscellaneous information

Compensation of directors and officers (in thousands of euros)	Amount
Compensation allocated to:	
- directors	191
- senior management	2,097

Personnel

	Average	At 12/31/2007
Management	186	184
Supervisors, technicians, employees	375	378
Workers	281	279
Total Company	**842**	**841**
Including Paper Division	157	151

Subsidiaries and affiliates

(In thousands of currency units: EUR, USD, FCFA)

Company or group of companies 2007 financial period	Capital	Reserves and retained earnings before appropriation of income	Ownership interest (%)	Book value of shares owned		Loans & advances granted by the Company and not yet repaid	Guarantees granted by the Company	Sales ex-VAT for the financial year ended	Profit or loss (-) for the financial year ended	Dividends received by the Company during the period	Comments
				gross	net						
SUBSIDIARIES & AFFILIATES WHOSE GROSS VALUE EXCEEDS 1% OF VICAT'S CAPITAL											
1) Subsidiaries (at least 50% of the capital held by the Company)											
BÉTON TRAVAUX 92095 Paris-La Défense	27,997	176,446	99.97	88,866	88,866	8,734		23,921	26,593	31,488	
NATIONAL CEMENT COMPANY Los Angeles USA	190,521 (1)	202,345 (1)	96.84	171,669	171,669			500,295 (1)	47,605 (1)		
PARFICIM 92095 Paris-La Défense	48,340	827,317	99.99	737,729	737,729				61,428	16,617	
2) Participations (10% to 50% of the capital held by the Company)											
SOCIÉTÉ DES CIMENTS D'ABIDJAN Côte d'Ivoire	2,000,000 (2)	9,768,596 (2)	17.14	1,596	1,596			34,617,088 (2)	1,059,939 (2)	464	2006 items
SATM 38081 L'Isle-d'Abeau	1,600	35,208	22.00	15,765	15,765			121,678	12,075	1,540	
SATMA 38081 L'Isle-d'Abeau	10,754	21,633	35.71	7,612	7,612			38,918	3,065		
OTHER SUBSIDIARIES & AFFILIATES											
French subsidiaries (total)				2,551	1,803	172				477	
Foreign subsidiaries (total)				3,742	3,696	36					
Total				**1,029,530**	**1,028,736**	**8,942**				**50,586**	

(1) Items in USD.
(2) Items in FCFA.

Analysis of the profit of the period

Analysis of the profit of the period

(in euros)

Earnings before non operating items, profit sharing and taxes	**127,530,211**
In light of:	
- other non operating income and expenses	(21,773,346)
- employee profit-sharing expense	(5,415,687)
- Corporate income tax	(18,005,000)
Net earnings for the 2007 fiscal year were:	**82,336,178**

Proposed net earnings appropriation

We propose the following appropriation of net earnings:

(in euros)

2007 year result	82,336,178
Retained earnings of prior periods	40,765,482
Total distributable earnings	**123,101,660**

We proposed the following distribution:

(in euros)

- a dividend of €1.50 per share with a par value of €4	70,156,800
- appropriation to the revenue reserve	11,944,860
- retained earnings	41,000,000

Distribution of the last three financial periods (over the adjusted number of shares)

(in euros)

Fiscal year	**2004**	**2005**	**2006**
Net dividend	0.52	0.63	1.30

The amount of the mentioned dividends includes all the existing shares.

At the time of the setting in payment, the dividends on owner shares will be allocated to retained earnings.

The amount of the mentioned dividends is eligible to the French tax allowance of 40% for the cases provided by the law (art. 158-3 of the French Tax Code).

Five-year financial results summary

(in euros)	2003	2004	2005	2006	2007
1) SHARE CAPITAL AT YEAR-END					
Share capital	62,361,600	62,361,600	62,361,600	187,084,800	187,084,800
Number of shares issued	15,590,400	15,590,400	15,590,400	46,771,200	46,771,200
2) OPERATIONS AND INCOME FOR THE YEAR					
Net sales	385,453,530	413,129,077	432,641,769	475,747,670	510,432,697
Pre-tax earnings before employee profit-sharing, depreciation and provisions	137,446,867	146,291,128	160,930,224	176,747,531	204,175,655
Income taxes	34,031,000	35,393,000	35,190,000	39,340,000	18,005,000
Employee profit-sharing	3,900,000	3,880,000	3,986,000	5,050,000	5,415,687
Net earnings (after tax, depreciation and provisions)	84,447,474	87,408,225	104,690,964	109,683,603	82,336,178
Dividends paid out	18,708,480	24,165,120	29,621,760	60,802,560	70,156,800
3) EARNINGS PER SHARE(1)					
Earnings after tax, employee profit-sharing but before depreciation and provisions	2.13	2.29	2.60	2.83	3.86
Earnings after-tax, depreciation and provisions	1.81	1.87	2.24	2.35	1.76
Net dividend per share	0.40	0.52	0.63	1.30	1.50
4) EMPLOYEES					
Number of employees	809	811	819	828	842
Payroll (2)	32,458,478	32,804,174	34,066,814	36,008,346	37,860,259
Amount paid out in benefits to employees (social security, charities, etc.)	15,246,456	15,673,757	16,593,043	17,685,934	18,482,985

(1) Over the adjusted number of shares.
(2) Retirement indemnities paid in respect to early retirement excluded.

Statutory auditors' report on the financial statements

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This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2007

To the shareholders,

In compliance with the assignment entrusted to us by the shareholders in general meeting, we hereby present our report to you, for the year ended December 31, 2007, on:

- the audit of the accompanying financial statements of Vicat S.A.;
- the justification of our assessments;
- the specific verifications and information required by law.

The financial statements have been approved by the board of directors. Our role is to express an opinion on these financial statements based on our audit.

OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We hereby certify that the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Significant accounting rules and methods are disclosed in Note 1 of the financial statements.
- As part of our assessment of the accounting rules and principles applied by your Company, we have assessed the appropriateness of the above-mentioned accounting methods and related disclosures.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law in accordance with professional standards applicable in France.

We have no matters to report regarding :

- the fair presentation and the conformity with the financial statements of the information given in the management report of the board of directors, and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information provided in the management report of the board of directors with respect to remuneration and benefits paid to Company officers and to any commitments given to them on, or subsequent to, their appointment, termination, or change of function.

As required by law, we have ascertained that the necessary information relating to the acquisition of shareholdings and controlling interests, and the identity of shareholders, was given in the management report of the board of directors.

The statutory auditors

Paris-La Défense, March 7, 2008
KPMG Audit
A division of KPMG S.A.
Jean-Marc Decléty
Partner

Chamalières, March 7, 2008
Wolff & Associés S.A.S.

Grégory Wolff
Partner

Statutory auditors' report on regulated agreements and commitments

This is a free translation into English of a report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Year ended December 31, 2007

To the shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on the regulated agreements and commitments.

AGREEMENTS AND COMMITMENTS ENTERED INTO BY THE COMPANY IN 2007

In accordance with article L. 225-40 of the Commercial Code we have been advised of agreements and commitments which have been previously authorised by your board of directors.

We are not required to ascertain whether any other agreements or commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were notified. It is not our role to determine whether they are beneficial or appropriate. It is your responsibility, under the terms of article R. 225-31 of the Commercial Code, to evaluate the benefits arising from these agreements and commitments prior to their approval.

We conducted our work in accordance with professional standards applicable in France; those standards require that we perform the procedures deemed necessary so as to verify that the information provided to us is in agreement with the underlying documentation from which it was extracted.

Purchase of Vicat shares sold by HeidelbergCement company

Board of directors held on March 2, 2007:

Directors concerned by the agreement or commitment: Bernd SCHEIFELE and Daniel GAUTHIER.

Purpose of the agreement or commitment: as part of its share redemption program, Vicat has bought back 5.70% of its own share capital held by HeidelbergCement company and valued at the price of the global offering.

Terms and conditions of the agreement or commitment: this acquisition amounts to 2,664,367 shares valued at 229 million euros.

The statutory auditors

Paris-La Défense, March 7, 2008
KPMG Audit
A division of KPMG S.A.
Jean-Marc Decléty
Partner

Chamalières, March 7, 2008
Wolff & Associés S.A.S.
Grégory Wolff
Partner

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