

INTERIM FINANCIAL REPORT
30 SEPTEMBER 2014







Company Officers

Board of Directors

for the period 2012 – 2014

Chairman

Deputy President

Directors

Francesco Caltagirone Jr.

Carlo Carlevaris (*independent*)

Alessandro Caltagirone

Azzurra Caltagirone

Edoardo Caltagirone

Saverio Caltagirone

Flavio Cattaneo (*independent*)

Mario Ciliberto

Paolo Di Benedetto* (*independent*)

Fabio Corsico

Mario Delfini

Alfio Marchini (*independent*)

Riccardo Nicolini

Executive Committee

Chairman

Components

Francesco Caltagirone Jr.

Mario Delfini

Riccardo Nicolini

Control and Risks Committee

Chairman

Components

Paolo Di Benedetto* (*independent*)

Flavio Cattaneo (*independent*)

Alfio Marchini (*independent*)

Appointment and Remuneration Committee

Chairman

Components

Paolo Di Benedetto* (*independent*)

Mario Delfini

Flavio Cattaneo (*independent*)

Board of Statutory Auditors

for the period 2014 – 2016

Chairman

Auditors

Claudio Bianchi

Giampiero Tasco (*standing*)

Maria Assunta Coluccia (*standing*)

Vincenzo Sportelli (*alternate*)

Patrizia Amoretti (*alternate*)

Stefano Giannuli (*alternate*)

Manager responsible for financial reporting

Massimo Sala

Independent Auditors

for the period 2012 – 2020

KPMG SpA

* *Lead Independent Director*



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Interim Financial Report at 30 September 2014

The interim financial report of the Cementir Holding group has been prepared in accordance with the international accounting standards (IAS/IFRS) endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002, as well as with Art. 154-ter (Financial reporting) of Legislative Decree 58/1998, as amended. The following table reports performance for the first nine months and the third quarter of 2014, with comparative figures for the corresponding period of 2013:

Results

(Euro '000)	Jan-Sept 2014	Jan-Sept 2013	Change %	3rd Quarter 2014	3rd Quarter 2013	Change %
REVENUE FROM SALES AND SERVICES	714,670	741,362	-3.6%	241,836	268,944	-10.1%
Change in inventories	(17,202)	(2,959)		(470)	(1,482)	
Other revenue ¹	10,967	8,455		2,944	2,325	
TOTAL OPERATING REVENUE	708,435	746,858	-5.1%	244,310	269,787	-9.4%
Raw material costs	(291,922)	(327,838)	-11.0%	(100,446)	(112,315)	-10.6%
Personnel costs	(111,902)	(116,080)	-3.6%	(36,203)	(37,668)	-3.9%
Other operating costs	(176,928)	(186,919)	-5.3%	(58,357)	(65,790)	-11.3%
TOTAL OPERATING COSTS	(580,752)	(630,837)	-7.9%	(195,006)	(215,773)	-9.6%
EBITDA	127,683	116,021	10.0%	49,304	54,014	-8.7%
<i>EBITDA margin %</i>	<i>17.87%</i>	<i>15.65%</i>		<i>20.39%</i>	<i>20.08%</i>	
Amortisation, depreciation, impairment losses and provisions	(60,898)	(65,313)	-6.8%	(20,113)	(21,039)	-4.4%
EBIT	66,785	50,708	31.7%	29,191	32,975	-11.5%
<i>EBIT margin %</i>	<i>9.34%</i>	<i>6.84%</i>		<i>12.07%</i>	<i>12.26%</i>	
FINANCIAL INCOME (EXPENSE)	(3,052)	(11,040)	72.4%	3,130	(8,642)	136.2%
PROFIT BEFORE TAXES	63,733	39,668	60.7%	32,321	24,333	32.8%
<i>PROFIT BEFORE TAXES margin %</i>	<i>8.92%</i>	<i>5.35%</i>		<i>13.36%</i>	<i>9.05%</i>	

¹ "Other revenue" includes the income statement captions "Increases for internal work" and "Other operating revenue".

Sales volumes

('000)	Jan-Sept 2014	Jan-Sept 2013	Change %	3rd Quarter 2014	3rd Quarter 2013	Change %
Grey and white cement (metric tons)	7,325	7,306	0.3%	2,419	2,703	-10.5%
Ready-mixed concrete (m3)	2,635	2,751	-4.2%	838	965	-13.2%
Aggregates (metric tons)	2,536	2,309	9.8%	878	895	-1.9%



Group employees

	30-09-2014	31-12-2013	30-09-2013
Number of employees	3,086	3,170	3,165

Revenue from sales and services amounted to EUR 714.7 million in the first nine months of 2014 (EUR 741.4 million in the first nine months of 2013), EBITDA reached EUR 127.7 million (EUR 116.0 million at 30 September 2013), EBIT came to EUR 66.8 million (EUR 50.7 million in the same period of 2013) and profit before taxes amounted to EUR 63.7 million (EUR 39.7 million in the first nine months of 2013).

Revenue from sales and services were down 3.6% compared with 30 September 2013, due to the decline in revenue in the Italian market and the adverse impact of more than EUR 52 million from the depreciation of the main foreign currencies against the euro. Assuming constant exchange rates, revenue would have amounted to EUR 766.8 million, up 3.4% over the previous year, mainly as a result of good performance in Scandinavia and Turkey.

Revenue in Scandinavia at constant exchange rates rose slightly compared with the same period of 2013, with performance varying between Denmark, Norway and Sweden. In Denmark, sales of both cement and concrete rose by around 3%, boosting revenue by about EUR 6 million. By contrast, in Norway, revenue in the local currency was essentially in line with the previous year as a result of a slight decline in quantities of ready-mixed concrete sold, offset by higher prices. In Sweden, revenue in the local currency fell as a result the slowdown in construction in the Malmö region, the area in which most of our subsidiaries' plants are located.

In Turkey, revenue denominated in the local currency grew by about 20% over the first nine months of 2013 thanks to the rise in volumes of cement sold (+3.4% compared with 2013) and the considerable increase in domestic sales prices for both cement and ready-mixed concrete. However, the depreciation of over 19% of the Turkish lira against the euro during the period meant that there was no increase in revenue expressed in euros.

In the Far East, revenue denominated in the local currency was stable overall compared with 30 September 2013 since, in China, the volume of cement sold and the sales prices remained in line with 2013 while, in Malaysia, volumes of cement sold declined as a result of works to expand plant production capacity, offset by higher prices. However, in 2014, both the Chinese yuan and the Malaysian ringgit depreciated against the euro and, therefore, revenue from the Far East expressed in euros fell by about 3.5% compared with the same period of the previous year.

In Egypt, revenue denominated in the local currency rose by around 6% compared with the first nine months of 2013 due to an increase in the average domestic sales price for cement, with volumes remaining essentially in line with those of the same period of 2013. However, also in this case, this positive



performance was not reflected in the financial statements translated into euros as a result of the depreciation of the Egyptian pound compared with the average exchange rate for the first nine months of 2013.

Finally, in Italy, the construction sector has shown no signs of recovery, with sales volumes of cement and ready-mixed concrete falling yet again compared with 2013, causing revenue to contract by over 20%.

Operating costs fell by 7.9%, from EUR 630.8 million in the first nine months of 2013 to EUR 580.7 million at 30 September 2014, benefitting from the currency depreciations against the euro discussed above and the savings achieved on the purchase of raw materials. More specifically, raw material costs fell by EUR 35.9 million compared with the first nine months of 2013, of which EUR 24.8 million was attributable to the positive impact of exchange rate gains and EUR 11.1 million to savings on the purchase of fuels and energy consumption achieved through a centralised procurement policy and plant efficiency gains. Personnel costs and other operating costs, amounting to EUR 111.9 million and EUR 176.9 million, respectively, fell by 3.6% and 5.3% compared with 30 September 2013, solely due to the positive impact of the currency depreciations. Assuming constant exchange rates, both of these items would have been in line with 2013.

EBITDA reached EUR 127.7 million, up EUR 11.7 million compared with 30 September 2013 (EUR 116.0 million) as a result of improved performance in Turkey and Denmark. The EBITDA margin stood at 17.9%, indicating a recovery in industrial profitability of 2.2 percentage points compared with the same period of 2013. Assuming constant exchange rates, EBITDA would have amounted to EUR 140 million, an increase of EUR 24 million over 30 September 2013 with an EBITDA margin of 18.3%.

EBIT, excluding depreciation, amortisation, impairment losses and provisions amounting to EUR 60.9 million, came to EUR 66.8 million, up 31.7% compared with 30 September 2013.

Financial expense totalled EUR 3.0 million, a substantial improvement over the previous year (a negative EUR 11.0 million) mainly a result of exchange rate gains arising from the appreciation of certain foreign currencies as against the euro, as well as the gradual decline in borrowing costs.

Profit before taxes amounted to EUR 63.7 million, a significant improvement over 30 September 2013 (EUR 39.7 million).

In the third quarter of 2014 revenue from sales and services amounted to EUR 241.8 million (EUR 268.9 million in the third quarter of 2013), EBITDA totalled EUR 49.3 million (EUR 54.0 million in the third quarter of 2013), EBIT came to EUR 29.2 million (EUR 33.0 million in the third quarter of 2013) and profit before taxes amounted to EUR 32.3 million (EUR 24.3 million in the third quarter of 2013).

Revenue from sales and services fell by EUR 27.1 million compared with the same period of 2013, as a result of the continuing weakness of the Italian market (-EUR 7.1 million compared with the third quarter of 2013) and the slowdown in demand in the other markets in which the Group operates. More specifically, in Scandinavia, sales of cement and ready-mixed concrete naturally slowed after a first half of the year marked by favourable weather, which led to a decline in revenue of around EUR 15.5 million compared with the third



quarter of 2013. By contrast, in Turkey, the drop in domestic demand was offset by increased exports of cement and higher average sales prices, leading to an increase of around 6% in revenue denominated in local currency. However, revenue posted in the third quarter of 2014 fell by around EUR 3.5 million in the financial statements translated into euros as a result of the depreciation of the Turkish lira against the euro. In the Far East, revenue in the third quarter of 2014 was stable compared with 2013, but with performance varying between China and Malaysia. In China, revenue fell by around 10% as a result of the decline in the volume of cement sold, while in Malaysia revenue rose by around 9% as a result of rising export prices, which offset the decline in volumes sold.

Finally, in Egypt, revenue from sales fell slightly compared with the third quarter of 2013 as a result of the decline in volumes sold, only partially offset by the rise in domestic sales prices.

Operating costs came to EUR 195.0 million, down around EUR 20.8 million compared with the third quarter of 2013. Of the total improvement EUR 6.4 million is attributable to favourable exchange rate developments and EUR 14.4 million to actions undertaken by management. More specifically, the cost of raw materials and other operating costs, excluding the effect of exchange rates, fell by 7.0% and 9.1%, respectively, a result of efficiency gains made in procurement, production and logistics.

EBITDA and EBIT, amounting to EUR 49.3 and EUR 29.2 million respectively, fell by 8.7% and 11.5% compared with the same period of the previous year due to the decline in revenue reported in the third quarter of 2014. The EBITDA margin came to 20.4%, in line with the third quarter of 2013 (equal to 20.1%). Assuming constant exchange rates, EBITDA would have totalled EUR 51.2 million and EBIT would have amounted to EUR 30.6 million, for a more modest percentage decrease (-5.2% and -7.3%) compared with the third quarter of 2013.

Financial income totalled EUR 3.1 million (a negative EUR 8.6 million in the third quarter of 2013), benefitting from the appreciation of certain foreign currencies against the euro, especially the Turkish lira, in the third quarter of 2014 compared with the year-earlier period, and the gains from the measurement of financial instruments used to hedge commodity prices, exchange rates and interest rates.

Profit before taxes amounted to EUR 32.3 million, up 32.8% compared with the third quarter of 2013.



Financial highlights

(Euro '000)	30-09-2014	30-06-2014	31-12-2013	30-09-2013
Net capital employed	1,425,973*	1,401,199	1,354,291	1,434,593*
Total equity	1,103,754*	1,046,301	1,029,409	1,063,961*
Net financial debt ²	322,219	354,898	324,882	370,632

* Total equity at 30 September 2014 and 2013 does not include income taxes for the period.

Net financial debt at 30 September 2014 amounted to EUR 322.2 million, an improvement of EUR 2.7 million compared with 31 December 2013, due to the positive cash flow generated by operations net of developments in working capital, annual maintenance of plants and industrial investments of around EUR 46 million (EUR 44 million in 2013) and the distribution of dividends of EUR 12.7 million, double the amount distributed in 2013. It should be noted, however, that Group net financial debt improved by EUR 32.7 million in the third quarter of 2014, largely attributable to positive developments in working capital.

Total equity at 30 September 2014 amounted to EUR 1,103.8 million (EUR 1,029.4 million at 31 December 2013), excluding taxes on the profit for the period.

Directors' report

Significant events in the first nine months

Despite the adverse impact of currency depreciations, in the first nine months of 2014 the Cementir Holding Group posted stronger results than in the corresponding period of 2013, in line with management's expectations. The excellent performance seen in Turkey and Scandinavia, along with the positive contribution of Egypt and the Far East, while below that of the previous year, made it possible to counter the difficulties experienced in the Italian market, underscoring once again the fact that the Group's broad geographical diversification offers greater protection against the fluctuations registered in individual markets.

The improvements in results is not just the result of higher revenue in markets such as Turkey and Denmark, but also due to the improved structure of fixed and variable expenses resulting from actions undertaken by management in all markets.

With regard to waste management, Neales Waste Management, which operates in the UK urban and industrial waste management sector, completed the introduction of the new mechanical waste treatment system that should lead to improved efficiency in managing landfills and producing alternative fuel. Sureko, which operates in the Turkish industrial waste management sector, reported an increase in revenues of 3% and a substantial improvement in profitability compared with the same period of 2013 thanks to a different mix of recovered materials, particularly ferrous metals. Finally, Hereko, a Turkish municipal waste management company operating in Istanbul, continued start-up activities for full-scale operation.

² Net financial debt has been determined in accordance with the provisions of Consob Communication no. DEM/6064293 of 28 July 2006.

Furthermore, in September, as part of the restructuring of the Group's shareholdings, Cementir Holding SpA transferred a 14% stake in the Turkish subsidiary Cimentas A.S. to the Danish group Aalborg Portland A/S, wholly-owned by Cementir Holding SpA. As a result of this transfer, the Aalborg Portland group now owns 85% of the Cimentas group.

Outlook

We do not expect any significant changes in developments in the fourth quarter of 2014 compared with the first nine months of the year. We expect the positive trends recorded in Turkey and Scandinavia to continue and to achieve our targets in the Far East and Egypt. We also expect the Italian market to remain weak.

The performance and financial targets for 2014 can therefore be confirmed, with the achievement of EBITDA of more than EUR 180 million and net financial debt of about EUR 280 million.

Rome, 10 November 2014

The Chairman of the Board of Directors

/s/ Francesco Caltagirone Jr.

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Massimo Sala, as the manager responsible for preparing the Company's financial reports, certifies, pursuant to Article 154-bis (2) of the Consolidated Law on Financial Intermediation, that the accounting information contained in this report corresponds with that contained in company documents, books and accounting records.