

**REPORT ON PAYMENTS TO GOVERNMENTS
FOR THE YEAR 2017**







REPORT ON PAYMENTS TO GOVERNMENTS FOR THE FINANCIAL YEAR 2017

Introduction

This Report on payments to governments (hereinafter referred to as “Report”) made on an annual basis by Cementir Holding Group complies with information obligations required under the Italian Legislative Decree No. 139 of August 18, 2015, which enacted Directive 2013/34/EU as the Group is active in the extractive and logging industries.

In particular the Report is required to “large undertakings” as well as “public-interest entities”, involved in the exploration, prospection, discovery, development and extraction of minerals, oil, natural gas deposits or other materials, including those used by Cementir Holding Group for the production of cement, ready-mixed concrete and aggregates, if applicable.

In addition, Italian Legislative Decree No. 25 of February 15, 2016, which enacted Directive 2013/50/EU (Transparency II) added a new article 154-quarter to Consolidated Financial Act (TUF) extending to listed companies involved in the above sectors and whose home member State is Italy, the obligation to prepare and publish such a Report on payments to governments at a consolidated level and in accordance with the provisions of the Legislative Decree No. 139/2015.

This Report is available for download from www.cementirholding.it and it was filed with the Rome Company’s Registration Office on June 28th, 2018.



BASIS FOR PREPARATION

Legislation and Scope

This consolidated Report has been prepared pursuant to the Transparency Directive (2013/50/EU - *Transparency II* i.e) and in accordance with the disclosure of Payments to Governments required under Chapter 10 of the EU Directive 2013/34/EU (hereafter “Directive”) incorporated into Italian law by Legislative Decree No. 139/2015.

This Report includes payments to governments made by the consolidated subsidiaries undertakings and not even by the parent company Cementir Holding SpA, as it is a holding company, within the financial year 2017. Based on this regulatory framework, the scope of consolidation corresponds to that of the consolidated financial statements of Cementir Holding as at 31 December 2017 in accordance with IFRSs. It is noted that, on 2 January 2018, Cementir Holding finalised the sale of 100% of the share capital of Cementir Italia SpA, including its wholly-owned subsidiaries Cementir Sacchi SpA and Betontir SpA, therefore the amounts relating to the Italian operating companies are presented under “Italy - *Discontinued operations*”.

Activities

This Report discloses cash payments and in-kind payments made to governments by Cementir Holding Group arising from extractive activities of limestone, aggregates, gypsum, chalk, slate, building stones or other materials for producing cement and ready-mixed concrete.

Government

Government refers to any national, regional or local authority of a EU Member State or of third country (including departments, governmental bodies and agencies) as well as any undertakings controlled by an authority. Under the Directive 2013/34/EU the term control is identified with the obligation of including the accounts of the controlled entity in the consolidated financial statements of the controlling entity (Art. 41.3 Directive and Art. 1 Legislative Decree 139/2015).

Project

Payments are reported at project level except that payments that are not attributable to a specific project are reported at entity level, generally as “Amounts non-allocated to projects”.

Project is defined as operational activities which are governed by a single contract, license, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project (Art. 41.4 Directive).



“Substantially interconnected” means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government giving rise to payment liabilities. Indicators of integration include, but are not limited to, geographic proximity, the use of shared infrastructure and common operational management. These projects mainly concern quarries or gravel and sand pits.

Payments

Payment means an amount paid, whether in cash or in kind, resulting from extractive operations within the financial year (Art. 41.5 Directive and Art. 1 Legislative Decree 139/2015). In particular:

- Payments made by cash are reported in the period in which they are paid;
- In-kind payments, based on the underlying production delivery, are reported on an accrual basis. They are converted to an equivalent cash value based on the most appropriate and relevant valuation method for each payment (at cost or market value or such value as stated in the contract) and are reported in both volumes and the equivalent cash value.

The payments listed in this report on payments relate to cash payments. In the 2016 financial year, no reportable payments in kind corresponded to or exceeded individually or in total the disclosure threshold.

The Directive mentions the following payment types:

- **Production entitlements:** these are payments to governments based on the volume of output, as mandated in any agreement or license. This mandated volume based calculations can be paid in cash or in-kind, and can be net of any other royalty payments. In-kind payments are converted to a euro amount based on the market price prevailing at the date of settlement.
- **Taxes:** represents taxes levied on the income, production or profits of corporations. It also includes withholding taxes paid on dividends, interest, royalties and services. Taxes levied on consumption such as value added taxes, personal income taxes or sales taxes are excluded. Taxes levied on the income, production or profits of corporations are included in “Amounts non–allocated to projects”.
- **Royalties:** these are payments to governments in respect of revenue or production related to the extractive activities.
- **Dividends:** these are dividend that are paid in lieu of production entitlements or royalties, excluding dividends paid to a government as an ordinary shareholder. For the year ended December 31, 2017, there were no reportable dividend payments to a government.



- **Bonuses:** these are payments to governments related to awards, grants, or transfer of extraction rights. Payments can be in the form of periodic payments or a fixed amount upon signing of a contract, or an achievement of certain production levels or targets and discovery of additional mineral resources or deposits. For the year ended December 31, 2017, there were no reportable payments to a government.
- **License fees, rental fees, entry fees and other considerations for licenses and/or concessions:** these are fees and other sums paid as consideration for acquiring a license for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector are excluded. Also excluded are payments made in return for services provided by a government.
- **Construction or improvement of Infrastructure:** these are payments which relate to the construction or improvement of infrastructure (road, bridge or rail) not substantially dedicated for the use of extractive activities. Payments which are of a social investment in nature, for example building of a school or hospital, are excluded. For the year ended December 31, 2017, there were no reportable payments to a government.

Materiality

The regulation provides that payments below EUR 100,000 made in the reporting period are not reported, whether made as a single payment or as a series of related payments. (Art. 43.1 Directive).

Exchange rate

Payments made in currencies other than Euro are translated for this Report based on the foreign exchange rate at the relevant average annual rate.



REPORT ON PAYMENTS TO GOVERNMENTS 2017

PAYMENTS OVERVIEW

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Denmark	335	18,264	-	-	-	392	-	18,991
Norway	-	1,552	-	-	-	-	-	1,552
Sweden	-	700	-	-	-	199	-	899
Belgium	-	11,187	2,487	-	-	-	-	13,674
France	-	115	-	-	-	-	-	115
Turkey	-	3,698	568	-	-	718	-	4,984
Egypt	-	1,387	-	-	-	-	-	1,387
China	-	3,038	-	-	-	142	-	3,180
Malaysia	-	783	200	-	-	-	-	983
Total	335	40,724	3,255			1,451		45,765
<i>ITALY_Discontinued operations</i>	-	139	-	-	-	618	-	757
Total	335	40,863	3,255			2,069		46,522

DENMARK

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Central Government "SKAT", Aalborg	335	18,264	-	-	-	392	-	18,991
Total	335	18,264				392		18,991

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Granite	-	-	-	-	-	105	-	105
Aalborg chalk quarry	335	-	-	-	-	-	-	335
Amounts non-allocated to projects	-	18,264	-	-	-	287	-	18,551
Total	335	18,264				392		18,991



NORWAY

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Central Government	-	1,552	-	-	-	-	-	1,552
Total	-	1,552	-	-	-	-	-	1,552

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Amounts non-allocated to projects	-	1,552	-	-	-	-	-	1,552
Total	-	1,552	-	-	-	-	-	1,552

SWEDEN

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Central Government "Svenska Skatteverket", Solna	-	700	-	-	-	199	-	899
Total	-	700	-	-	-	199	-	899

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Gravel	-	-	-	-	-	199	-	199
Amounts non-allocated to projects	-	700	-	-	-	-	-	700
Total	-	700	-	-	-	199	-	899



BELGIUM

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Municipality of Antoing, Hainaut	-	-	168	-	-	-	-	168
Municipality of Tournai, Hainaut	-	-	2,178	-	-	-	-	2,178
Region of Wallone	-	3,131	141	-	-	-	-	3,272
Central Governemnt "Ministère de Finance Belgique"	-	8,056	-	-	-	-	-	8,056
Total	-	11,187	2,487	-	-	-	-	13,674

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Antoing quarry	-	305	345	-	-	-	-	650
Barry quarry	-	43	6	-	-	-	-	49
Clypot quarry	-	42	-	-	-	-	-	42
Amounts non-allocated to projects	-	10,797	2,136	-	-	-	-	12,933
Total	-	11,187	2,487	-	-	-	-	13,674

FRANCE

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Direction Générale des impôts	-	115	-	-	-	-	-	115
Total	-	115	-	-	-	-	-	115

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Amounts non-allocated to projects	-	115	-	-	-	-	-	115
Total	-	115	-	-	-	-	-	115



TURKEY

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Treasury Tax Administration	-	-	568	-	-	-	-	568
General Directorate of Forestry	-	-	-	-	-	502	-	502
General Directorate of Mining Affairs	-	-	-	-	-	217	-	217
Central Government	-	3,698	-	-	-	-	-	3,698
Total	-	3,698	568	-	-	718	-	4,984

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Trakya limestone quarry	-	-	149	-	-	46	-	194
Izmir limestone quarry	-	-	246	-	-	475	-	721
Mugla limestone quarry	-	-	22	-	-	37	-	59
Kars limestone quarry	-	-	53	-	-	39	-	92
Elazig limestone quarry	-	-	99	-	-	122	-	220
Amounts non-allocated to projects	-	3,698	-	-	-	-	-	3,698
Total	-	3,698	568	-	-	718	-	4,984

EGYPT

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Central Government	-	1,387	-	-	-	-	-	1,387
Total	-	1,387	-	-	-	-	-	1,387

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Amounts non-allocated to projects	-	1,387	-	-	-	-	-	1,387
Total	-	1,387	-	-	-	-	-	1,387



CHINA

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Municipality of Anqing	-	174	-	-	-	142	-	317
Central Government	-	2,863	-	-	-	-	-	2,863
Total	-	3,038	-	-	-	142	-	3,180

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Anqing limestone quarry	-	174	-	-	-	142	-	317
Amounts non-allocated to projects	-	2,863	-	-	-	-	-	1,863
Total	-	3,038	-	-	-	142	-	3,180

MALAYSIA

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Treasury Department of the State of Perak	-	-	200	-	-	-	-	200
Central Government	-	783	-	-	-	-	-	783
Total	-	783	200	-	-	-	-	983

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Ipoh limestone quarry	-	-	200	-	-	-	-	200
Amounts non-allocated to projects	-	783	-	-	-	-	-	783
Total	-	783	200	-	-	-	-	983



ITALY (Discontinued operations)

PAYMENTS BY GOVERNMENT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Region of Campania	-	-	-	-	-	398	-	398
Region of Tuscany	-	-	-	-	-	220	-	220
Central Government	-	139	-	-	-	-	-	139
Total	-	139	-	-	-	618	-	757

PAYMENTS BY PROJECT

(EUR '000)	Production entitlement	Taxes	Royalties	Dividends	Bonuses	Fees	Infrastructure construction /improvements	Total
Vittoria quarry	-	-	-	-	-	398	-	398
Testi quarry	-	-	-	-	-	220	-	220
Amounts non-allocated to projects	-	139	-	-	-	-	-	139
Total	-	139	-	-	-	618	-	757