

## **Extraordinary Shareholders' Meeting 23 February 2015**

### **Report by the Board of Directors on the proposed agenda**

Pursuant to Article 125-ter of Legislative Decree 58/98, as amended, and to Article 72 of the Regulations adopted by CONSOB Resolution no. 11971 of 14 May 1999, as amended, and in accordance with Annex 3 – Model 2 to the Regulation

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Dear Shareholders,

The Board of Directors of Cementir Holding S.p.A. has called an extraordinary meeting of shareholders to be held on 23 February 2015, at 9:30 a.m., at the Company's registered office located at Corso di Francia no. 200, in single call, to discuss and resolve upon the following agenda:

*“Conferral upon the Board of Directors of a five-year delegation to increase the share capital pursuant to Article 2443 of the Italian Civil Code, without exclusion of pre-emption rights, in one or more tranches, including in divisible form in accordance with Article 2439 of the Italian Civil Code, subject to the limitation that the increase, including any premium, shall not exceed EUR 300 million. Amendment of Article 3 of the Bylaws. Related and consequent resolutions.”*

The Board of Directors of Cementir Holding S.p.A. has called the Extraordinary Shareholders' Meeting to submit for your approval the amendments to Article 3 of the Bylaws deemed necessary as a consequence of the proposal to authorize the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase, for consideration and in divisible form, the share capital, through the issue of ordinary shares, without exclusion of pre-emption rights, in one or more tranches, for a period of up to 5 years from the date of the shareholders' resolution, subject to the limitation that the increase, including any premium, shall not exceed EUR 300 million.

This report discusses the reasons for the proposed amendment of the Bylaws and explains the rationale behind the proposal to authorise the Board of the Directors to increase the share capital, pursuant to Article 2443 of the Italian Civil Code (the “**Delegation**”).

## **1. REASONS FOR AND USE OF THE CAPITAL INCREASE**

In order to act swiftly to seize opportunities for expansion in order to further enhance the value of the Cementir Group and to support external lines of credit adequately within the context of the implementation of our growth strategy, it may be necessary to augment the capital resources and the financial flexibility of the Company. It is therefore important that the Company be able, in the near future, to promptly obtain, in the most flexible manner, the equity resources required to achieve that purpose.

In this context, delegation is a tool that has the additional advantage of giving the Board of the Directors the authority to determine the financial terms of the offering as a whole including, for each tranche, the amount of the offering and the price (and related premium) of the issue of ordinary shares.

The resources raised through any exercise of the Delegation may be used, in addition to supporting the growth strategies financed with external lines of credit mentioned above, to enhance the value of existing investments.

## **2. TERMS AND CONDITIONS OF THE CAPITAL INCREASE**

### **Capital increase through delegation to the Board of Directors**

The proposal examined provides for granting the Board of Directors of the Company, pursuant to Article 2443 of the Italian Civil Code, the power to increase, for consideration and in divisible form pursuant to Article 2439 of the Italian Civil Code, the share capital of the Company, through the issue of ordinary shares in one or more tranches, within a period of 5 years from the date of the shareholders' resolution. The ordinary shares to be issued shall have the same features as those already in circulation and shall be offered in pre-emption to those entitled in proportion to the number of ordinary shares held. The amount of the increase, including any premium, shall not exceed EUR 300 million.

The Board of Directors shall have the power, to the extent specified in the shareholders' resolution, to establish the procedures, terms and conditions for the capital increase, including subscription prices (including any premium), the number of shares to be issued, the associated subscription ratio for pre-emption rightholders and the exact amount of the capital increase.

As to the powers of the Directors in exercising the Delegation, the Extraordinary Shareholders' Meeting shall grant the Board, with the option of sub-delegation, any broader power required and/or appropriate for establishing the terms and conditions of the capital increase, without prejudice to the requirements that:

- the total amount of the capital increase (including any premium) shall not exceed EUR 300 million;
- the capital increase shall be for consideration, i.e. with payment by the subscribers of the new shares of a sum of money as the issue price; and
- the newly issued shares shall be offered in pre-emption to the shareholders of the Company pursuant to Article 2441, paragraph 1, of the Italian Civil Code.

The issue price (including any premium) shall be determined in accordance with applicable law and taking into account, *inter alia*, market conditions, the performance of the Company's listed shares and the related trading volumes, the performance and financial position of the Company and/or of the group headed by the Company, as well as market practice for similar operations.

#### **Rights attaching to the newly issued shares**

Shares issued under the exercise of the delegation to increase the share capital shall bear full rights, and, accordingly, shall give the holder the same rights as those attaching to the ordinary shares of the Company already in circulation at the issue date.

#### **Forms of placement**

As the transaction involves an offering in pre-emption, the shares shall be offered directly by the Company. No other form of placement is currently envisaged.

#### **Underwriting syndicate**

At present, the formation of underwriting and/or placement syndicates is not envisaged, although the Board of Directors has the power to form such syndicates subsequently.

#### **Period for execution of the capital increase**

Pursuant to Article 2443 of the Italian Civil Code, the timing of the exercise of the delegated powers, as well as the terms and conditions of any issue, shall depend upon the actual opportunities that may arise and shall be announced promptly to the market in accordance with applicable laws and regulations as soon as those aspects are determined.

### **3. EXPRESSION OF INTENT TO SUBSCRIBE THE NEW SHARES**

Caltagirone S.p.A., holder, directly and indirectly, through its subsidiary Calt 2004 S.r.l., of 50,394,039 ordinary shares equal to 31.67% of the share capital of Cementir Holding S.p.A., and Vianini Lavori S.p.A., whose subsidiary Lav 2004 S.r.l. owns 40,543,880 ordinary shares, equal to 25.48% of the share capital of Cementir Holding S.p.A., have undertaken, in the event of the conferral and execution of the Delegation – to subscribe and to have their subsidiaries subscribe all the newly issued shares due to them in pre-emption, in proportion to the stake held.

### **4. ECONOMIC AND FINANCIAL EFFECTS OF THE OPERATION, EFFECTS ON THE UNIT VALUE OF SHARES AND DILUTION**

In executing its delegated powers, the Board of Directors will provide the market with appropriate disclosure of the economic and financial consequences of each individual operation.

Since the capital increase will be offered in pre-emption, there will be no dilution of the percentage of the total share capital held by the shareholders of the Company who elect to participate in the offering.

Each shareholder of the Company will have pre-emption rights in the capital increase.

Shareholders who do not intend to exercise their pre-emption rights will experience a dilution of their stakes following the issue of the shares.

### **5. INFORMATION ON THE RESULTS FOR THE MOST RECENT FINANCIAL YEAR ENDED, ON OPERATIONS IN 2014 AND THE OUTLOOK FOR THE CURRENT YEAR**

#### **Results for 2013, most recent year ended**

In 2013 the Cementir Holding Group reported revenue from sales and services of EUR 988.6 million, an increase of 1.3% over the previous year. EBITDA came to EUR 169.7 million, up 22.9% on 2012. The

Group's net profit amounted to EUR 40.1 million, an increase of 143.7% on the EUR 16.5 million reported for the previous year.

Net financial debt at 31 December 2013 came to EUR 324.9 million, an improvement on the EUR 373 million posted at 31 December 2012.

### **Performance in the first nine months of 2014 and outlook for the close of 2014**

Despite the adverse impact of currency depreciations, in the first nine months of 2014, Cementir Holding 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.

Revenue from sales and services amounted to EUR 714.7 million in the first nine months of 2014, 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%.

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 rose to 17.9% (compared with 15.6% for 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.

Profit before taxes amounted to EUR 63.7 million, a substantial improvement over the previous year (EUR 39.7 million).

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.

On 10 November 2014, on the occasion of the approval of the Interim Financial Report at 30 September 2014, the Board of Directors of the Company confirmed the performance and financial targets for 2014 set by it on 5 February 2014, with the achievement of EBITDA of more than EUR 180 million and net financial debt of about EUR 280 million.

For more information on the Company and the Group, please consult the 2013 Annual Report and the Interim Financial Report at 30 September 2014, both available at the Company's offices and on its website ([www.cementirholding.it](http://www.cementirholding.it)).

### **Outlook for the current year**

Taking into account the economic outlook for the main countries in which the Group operates, we expect continued good performance in the Group's operations and financial position.

The Board of Directors will also approve the performance and financial targets for 2015.

## **6. ADDITIONAL MATTERS**

The Board of Directors of the Company, at its meeting of 11 February 2008, in partial execution of the delegation granted to it by the Shareholders' Meeting of 15 January 2008, voted to increase the share capital of the Company, including in divisible form and without pre-emption rights, pursuant to Article 2441, eighth paragraph, of the Italian Civil Code, by up to EUR 1,225,000 through the issue of a maximum of 1,225,000 shares with a par value of EUR 1.00 each.

This capital increase – which was intended to service the stock incentive plan for directors with specific duties and managers with strategic responsibilities within the Company and/or its subsidiaries – was never subscribed since during the exercise period for the options, which has expired, the conditions for the execution of the stock option plan were not met.

The above delegation authorizing the capital increase is no longer in effect because 5 years have elapsed since the shareholders' resolution of 15 January 2008 (the maximum length of time allowed under Article 2443 of the Italian Civil Code).

## 7. AMENDMENT OF ARTICLE 3 OF THE COMPANY BYLAWS

The proposed amendment of Article 3 of the Company Bylaws, to be undertaken if the proposed conferral to the Board of Directors of the delegation discussed herein is approved, is shown below:

CURRENT TEXT	PROPOSED TEXT
ARTICLE 3	ARTICLE 3
Share capital is EUR 159,120,000 (one hundred and fifty-nine million one hundred and twenty thousand), divided into 159,120,000 (one hundred and fifty-nine million one hundred and twenty thousand) shares with a par value of EUR 1 (one) each.	Unchanged
<p>Pursuant to Article 2443(2) of the Italian Civil Code, the Board of Directors shall have the power to increase, one or more times, the share capital up to EUR 162,302,400 and thus may issue up to 3,182,400 ordinary shares with a par value of EUR 1 each, to back one or more stock incentive plans, without pre-emption rights under Article 2441(8) of the Italian Civil Code.</p> <p>At its meeting of 11 February 2008, The Board of Directors, in partial implementation of the authorization granted by the Shareholders' Meeting on 15 January 2008, voted to increase share capital, in divisible form, to back a stock incentive plan for directors with specific duties and managers with strategic responsibilities within the Company and/or its subsidiaries, without pre-emption rights under Article 2441(8) of the Italian Civil Code, up to a maximum of EUR 1,225,000.00 (one million two hundred and twenty-five thousand) through the issue of a maximum of 1,225,000 shares with a par value of EUR 1.00 (one). The shares are not divisible. When fully paid up, shares may be bearer shares, where permitted by law, and may be converted into registered shares, and vice-versa, at the request and expense of the shareholder. Each share entitles the holder to one vote. Being a shareholder constitutes acceptance of the articles of incorporation and these bylaws and implies election of the registered office of the Company as the domicile for all dealings with the Company.</p>	<p><del>Pursuant to Article 2443(2) of the Italian Civil Code, the Board of Directors shall have the power to increase, one or more times, the share capital up to EUR 162,302,400 and thus may issue up to 3,182,400 ordinary shares with a par value of EUR 1 each, to back one or more stock incentive plans, without pre-emption rights under Article 2441(8) of the Italian Civil Code.</del></p> <p><del>At its meeting of 11 February 2008, The Board of Directors, in partial implementation of the authorization granted by the Shareholders' Meeting on 15 January 2008, voted to increase share capital, in divisible form, to back a stock incentive plan for directors with specific duties and managers with strategic responsibilities within the Company and/or its subsidiaries, without pre-emption rights under Article 2441(8) of the Italian Civil Code, up to a maximum of EUR 1,225,000.00 (one million two hundred and twenty-five thousand) through the issue of a maximum of 1,225,000 shares with a par value of EUR 1.00 (one). The shares are not divisible. When fully paid up, shares may be bearer shares, where permitted by law, and may be converted into registered shares, and vice-versa, at the request and expense of the shareholder. Each share entitles the holder to one vote. Being a shareholder constitutes acceptance of the articles of incorporation and these bylaws and implies election of the registered office of the Company as the domicile for all dealings with the Company.</del></p>
	<p><b>The Extraordinary Shareholders' Meeting of 23 February 2015 authorized the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital, in one or more tranches, for a total, including any premium, of up to EUR 300 million, within 5 years of the date of this shareholders' resolution, through the issue of ordinary shares, having the same features as those already in circulation and bearing full rights, to be offered in pre-emption to those entitled. For the purpose of exercising the delegation, the Board of Directors shall have the broadest power to establish the procedures, terms and conditions of the tranches of the capital increase, in accordance with the</b></p>

	<p>restrictions indicated above, including, solely by way of example, the power (a) to set, for each individual tranche, the unit issue price (including any premium) for the new shares, the number of shares to be issued, the associated subscription ratio for pre-emption rightholders and the exact amount of the capital increase; (b) to establish the time limit by which the ordinary shares of the Company are to be subscribed; and (c) to execute the delegation and the powers specified above, including, solely by way of example, those needed to make any consequent necessary amendments to the Bylaws in each case.</p>
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**8. RIGHT OF WITHDRAWAL**

The proposed amendment does not give rise to an event that would trigger the right of withdrawal by the shareholders under the Bylaws or applicable laws and regulations.

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In view of the foregoing, the Shareholders’ Meeting is invited to adopt the following resolution:

**The Shareholders’ Meeting:**

- having examined the Report of the Board of Directors and the proposals contained therein;
- having received the certification by the Board of Auditors that the Company’s current share capital amounting to EUR 159,120,000 is fully subscribed and paid up:

**RESOLVES**

- a) to authorize the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital, for consideration and in divisible form, in one or more tranches, for a total, including any premium, of up to EUR 300 million, within 5 years of the date of this resolution, through the issue of ordinary shares, having the same features as those already in circulation and bearing full rights, to be offered in pre-emption to those entitled.
- b) to grant the Board of Directors the broadest power to establish the procedures, terms and conditions of the tranches of the capital increase, in accordance with the restrictions indicated above, including solely by way of example, the power (a) to set, for each individual tranche, the unit issue price (including any premium) for the new shares, the number of shares to be issued, the associated subscription ratio for pre-emption rightholders and the exact amount of the capital increase; (b) to establish the time limit by which the ordinary shares of the Company are to be subscribed; and (c) to execute the delegation and the powers listed above, including, solely by way of example, those needed to make any consequent necessary amendments to the Bylaws in each case.
- c) to consequently amend Article 3 of the Bylaws by inserting, after the first paragraph, the following paragraph:

“The Extraordinary Shareholders’ Meeting of 23 February 2015 authorized the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital, in one or more tranches, for a total, including any premium, of up to EUR 300 million, within 5 years of the date of this shareholders’ resolution, through the issue of ordinary shares, having the same features as those already in circulation and bearing full rights, to be offered in pre-emption to those entitled. For the purpose of exercising the delegation, the Board of Directors shall have the broadest power to establish the

procedures, terms and conditions of the tranches of the capital increase, in accordance with the restrictions indicated above, including, solely by way of example, the power (a) to set, for each individual tranche, the unit issue price (including any premium) for the new shares, the number of shares to be issued, the associated subscription ratio for pre-emption rightholders and the exact amount of the capital increase; (b) to establish the time limit by which the ordinary shares of the Company are to be subscribed; and (c) to execute the delegation and the powers specified above, including, solely by way of example, those needed to make any consequent necessary amendments to the Bylaws in each case.”

- d) to grant the Board of Directors, and on its behalf its Chairman, including through the appointment of special attorneys if needed, the broadest powers, without exclusion or exception, necessary or appropriate to implement, in their entirety and for each individual part, the above resolutions and to exercise the powers granted by such resolutions, to execute all instruments and transactions necessary or appropriate for performing the formalities required by applicable law, as well as to make any amendments, additions or deletions to Article 3 of the Company's Bylaws necessary and resulting from the partial and/or complete execution of the capital increase, making the related filings with the Company Register or shareholders' resolutions that it deems necessary, at the request of any competent authority or while registering with the Company Register, on behalf of the Company.

Rome, 23 January 2015

**Cementir Holding S.p.A.**  
On behalf of the Board of Directors  
The Chairman and Chief Executive Officer  
Francesco Caltagirone