# 2017 ANNUAL REPORT

**(Translation from the Italian original which remains the definitive version)**

cementir holding
GRUPPO CALTAGIRONE

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# GENERAL INFORMATION

## GROUP PROFILE

Cementir Holding is an Italian multinational company specialised in the production and distribution of grey and white cement, ready-mixed concrete, aggregates and concrete products. It is also active in the management of urban and industrial waste. The company was formed in Italy in 1947 and is part of the Caltagirone Group. It has been listed on the Milan Stock Exchange since 1955 and is currently in the STAR segment.

Over the years the Cementir Group has grown through major investments and acquisitions throughout the world, becoming the global leader in the production of white cement. The Cementir Group is the only cement manufacturer in Denmark, the third-largest in Belgium and one of the biggest in Turkey. It is also the leading ready-mixed concrete manufacturer in Scandinavia.

Cementir is now present in 18 countries across 5 continents. Its strategy is aimed at increasing the integration of its business activities as well as geographical diversification.

This international growth strategy has been driven by the acquisitions made over the years, including of CCB - Compagnie des Ciments Belges in 2016, which strengthened Cementir's production and commercial presence in Central Europe, and of Sacci's Italian business in July 2016. In September 2017, an agreement was reached for the sale of all the Italian operations of the Cementir Italia group, finalised on 2 January 2018.

| | |
|---|---|
| 18 | Cement plants |
| 19.4 (million t) | Cement production capacity |
| 151 | Ready-mixed concrete plants |
| 9.3 (million t) | Aggregate sold |
| 3 | Waste management facilities |
| 3,620 | Employees |

## GLOBAL PRESENCE

Grey cement production capacity: 16.1 million t
White cement production capacity: 3.3 million t
Grey cement sales: 10.5 million t
White cement sales: 2.3 million t
Ready-mixed concrete sales: 5.1 million $m^3$
Aggregate sales: 9.3 million t

Cement plants: 18
Terminals: 30
Ready-mixed concrete plants: 151
Quarries: 10
Cement product plants: 1
Waste management facilities: 3

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### Nordic & Baltic and USA

**Denmark**
Grey cement production capacity: 2.1 million t
White cement production capacity: 0.85 million t
Cement plants: 1 (7 kilns)
Ready-mixed concrete plants: 36
Terminals: 9
Quarries: 3

**Norway**
Ready-mixed concrete plants: 29
Terminals: 1

**Sweden**
Ready-mixed concrete plants: 9
Quarries: 5

**Belgium**
Grey cement production capacity: 2.3 million t
Cement plants: 1
Ready-mixed concrete plants: 10
Terminals: 1
Quarries: 2

**France**
Ready-mixed concrete plants: 5
Terminals: 1

**United Kingdom**
Waste management facilities: 1
Terminals: 1

**USA**
White cement production capacity: 0.26 million t
Cement plants: 2 (24.5%-owned JV with Heidelberg and Cemex)
Cement product plants: 1
Terminals: 1

**Latvia**
Terminals: 1

**Iceland**
Terminals: 3

**Netherlands**
Terminals: 1

**Poland**
Terminals: 1

### Eastern Mediterranean

**Turkey**
Grey cement production capacity: 5.4 million t
Cement plants: 4
Ready-mixed concrete plants: 17
Waste management facilities: 2

**Egypt**
White cement production capacity: 1.1 million t
Cement plants: 1

### Central Mediterranean

**Italy**
Grey cement production capacity: 6.3 million t
Cement plants: 7
Ready-mixed concrete plants: 45
Terminals: 6

### Asia Pacific

**China**
White cement production capacity: 0.7 million t
Cement plants: 1

**Malaysia**
White cement production capacity: 0.35 million t
Cement plants: 1

**Australia**
Terminals: 4

### Nordic & Baltic and USA

**2 Grey cement plants**
**3 White cement plants**
**89 Ready-mixed concrete plants**
**20 Terminals**
**10 Quarries**
**1 Waste management facility**

| Volumes sold (million/t–m$^3$) | 2017 | 2016 |
|---|---|---|
| **Denmark** | | |
| Grey cement sales | 1.59 | 1.52 |
| White cement sales | 0.77 | 0.70 |
| Ready-mixed concrete sales | 1.18 | 1.16 |
| Aggregate sales | 0.85 | 0.67 |
| **Belgium / France** | | |
| Grey cement sales | 1.90 | 0.25 |
| Ready-mixed concrete sales | 0.97 | 0.14 |
| Aggregate sales | 5.18 | 0.86 |
| **Norway** | | |
| Ready-mixed concrete sales | 1.00 | 0.91 |
| **Sweden** | | |
| Ready-mixed concrete sales | 0.24 | 0.21 |
| Aggregate sales | 3.30 | 2.93 |

### Eastern Mediterranean

**4 Grey cement plants**
**1 White cement plant**
**17 Ready-mixed concrete plants**
**2 Waste management facilities**

| Volumes sold (million/t–m$^3$) | 2017 | 2016 |
|---|---|---|
| **Turkey** | | |
| Grey cement sales | 4.50 | 4.30 |
| Ready-mixed concrete sales | 1.56 | 1.89 |
| **Egypt** | | |
| White cement sales | 0.54 | 0.51 |

### Asia Pacific

**2 White cement plants**
**4 Terminals**

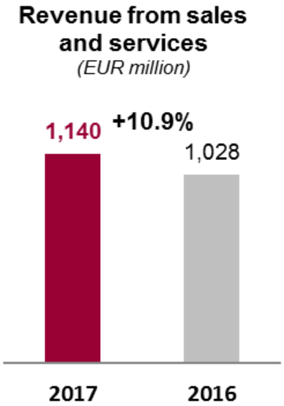
| Volumes sold (million/t) | 2017 | 2016 |
|---|---|---|
| **China** | | |
| White cement sales | 0.65 | 0.66 |
| **Malaysia** | | |
| White cement sales | 0.32 | 0.31 |

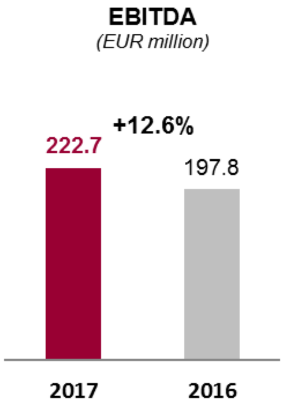
### Central Mediterranean

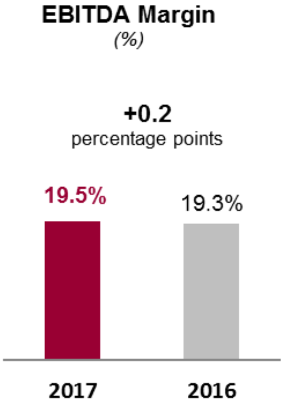
**7 Grey cement plants**
**45 Ready-mixed concrete plants**
**6 Terminals**

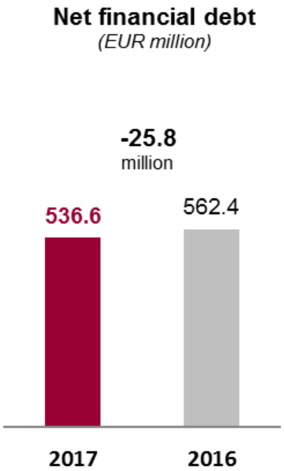
| Volumes sold (million/t–m$^3$) | 2017 | 2016 |
|---|---|---|
| **Italy** | | |
| Grey cement sales | 2.51 | 1.85 |
| Ready-mixed concrete sales | 0.13 | 0.11 |
| White cement sales | 0.001 | 0.002 |

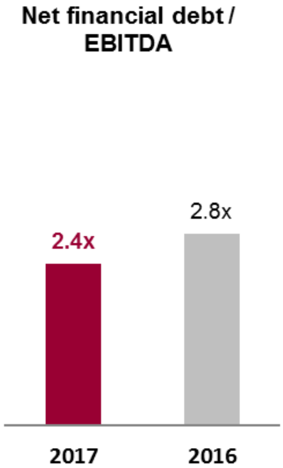
## PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

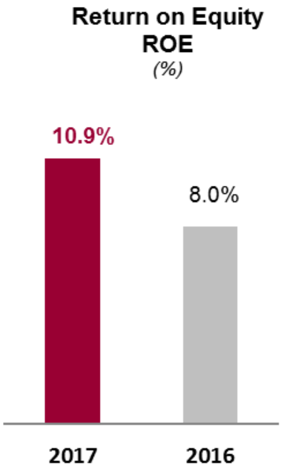



### Performance highlights

| *(EUR'000)* | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|---|
| Revenue from sales and services | 1,140,006 | 1,027,578 | 969,040 | 948,013 | 988,614 | 976,193 | 933,014 |
| EBITDA | 222,697 | 197,826 | 194,036 | 192,432 | 169,720 | 138,054 | 124,191 |
| *EBITDA Margin %* | *19.5%* | *19.3%* | *20.0%* | *20.3%* | *17.2%* | *14.1%* | *13.3%* |
| EBIT | 140,565 | 94,659 | 97,645 | 104,085 | 76,684 | 48,230 | 36,206 |
| *EBIT Margin %* | *12.3%* | *9.2%* | *10.1%* | *11.0%* | *7.8%* | *4.9%* | *3.9%* |
| Net financial income (expense) | (13,912) | 23,936 | 3,998 | (4,602) | (13,530) | (19,614) | (20,602) |
| Profit before taxes | 126,653 | 118,595 | 101,643 | 99,483 | 63,154 | 28,616 | 15,604 |
| Income taxes | (16,393) | (33,246) | (26,542) | (20,758) | (14,992) | (4,572) | (5,766) |
| Profit from continuing operations | 110,260 | 85,349 | 75,101 | 78,725 | 48,162 | 24,044 | 9,838 |
| *Profit margin %* | *9.7%* | *8.3%* | *7.8%* | *8.3%* | *4.9%* | *2.5%* | *1.1%* |
| Profit (loss) from discontinued operations | (33,094) | - | - | - | - | - | - |
| Profit for the year | 77,166 | 85,349 | 75,101 | 78,725 | 48,162 | 24,044 | 9,838 |
| Profit attributable to the owners of the parent | 71,471 | 67,270 | 67,477 | 71,634 | 40,124 | 16,462 | 3,025 |
| *Profit margin %* | 6.3% | *6.5%* | *7.0%* | *7.6%* | *4.1%* | *1.7%* | *0.3%* |

## Financial and equity highlights

| *(EUR'000)* | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|---|
| Net capital employed | 1,552,283 | 1,622,741 | 1,353,192 | 1,401,632 | 1,354,291 | 1,487,152 | 1,440,415 |
| Total assets | 2,357,329 | 2,435,444 | 1,849,551 | 1,873,410 | 1,848,027 | 1,975,161 | 1,908,445 |
| Total equity | 1,015,659 | 1,060,303 | 1,131,105 | 1,123,301 | 1,029,409 | 1,114,123 | 1,082,881 |
| Equity attributable to the owners of the parent | 956,188 | 992,697 | 1,048,670 | 1,043,070 | 954,425 | 1,034,920 | 1,004,562 |
| Net financial debt | 536,624 | 562,438 | 222,087 | 278,331 | 324,882 | 373,029 | 357,534 |

## Profit and equity ratios

| | **2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|---|
| Return on equity (a) | 10.9% | 8.0% | 6.6% | 7.0% | 4.7% | 2.2% | 0.9% |
| Return on capital employed (b) | 9.1% | 5.8% | 7.2% | 7.4% | 5.7% | 3.2% | 2.5% |
| Equity ratio (c) | 43.1% | 43.5% | 61.2% | 60.0% | 55.7% | 56.4% | 56.7% |
| Net gearing ratio (d) | 52.8% | 53.0% | 19.6% | 24.8% | 31.6% | 33.5% | 33.0% |
| Net financial debt/EBITDA | 2.4x | 2.8x | 1.1x | 1.4x | 1.9x | 2.7x | 2.9x |

(a) Profit (loss) from continuing operations/Total equity
(b) EBIT/Net capital employed
(c) Total equity/Total assets
(d) Net financial debt/Total equity

## Personnel and investments

| | **2017**[e] | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|---|
| Number of employees (at 31 Dec) | 3,620 | 3,667 | 3,032 | 3,053 | 3,170 | 3,311 | 3,200 |
| Acquisitions (EUR million) | - | 405.4[f] | - | - | - | 10.7 | 5.2 |
| Investments (EUR million) | 92.1 | 71.8 | 61.3 | 66.3 | 81.7 | 87.5 | 73.2 |

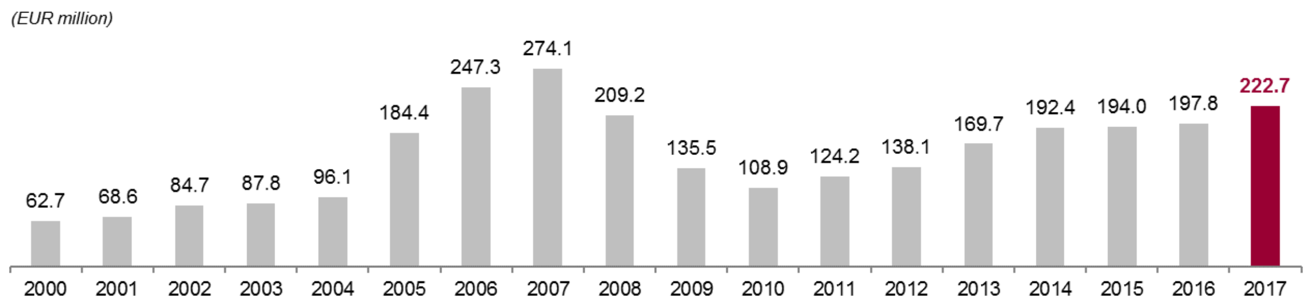
(e) The figures shown include the contribution of the Cementir Italia Group.
(f) On a cash and debt-free basis.

## Sales volumes

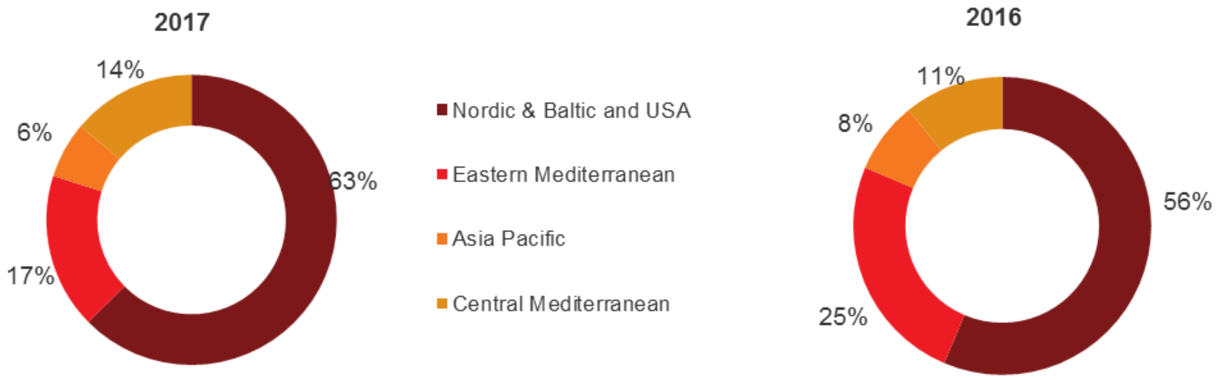
| *(000)* | **2017**[e] | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|---|
| Grey and white cement (metric tons) | 12,797 | 10,110 | 9,368 | 9,560 | 9,737 | 9,833 | 10,468 |
| Ready-mixed concrete ($m^3$) | 5,075 | 4,420 | 3,749 | 3,495 | 3,736 | 3,580 | 3,843 |
| Aggregates (t) | 9,335 | 4,462 | 3,813 | 3,259 | 3,234 | 3,490 | 3,834 |

(e) The figures shown include the contribution of the Cementir Italia Group.

## EBITDA performance

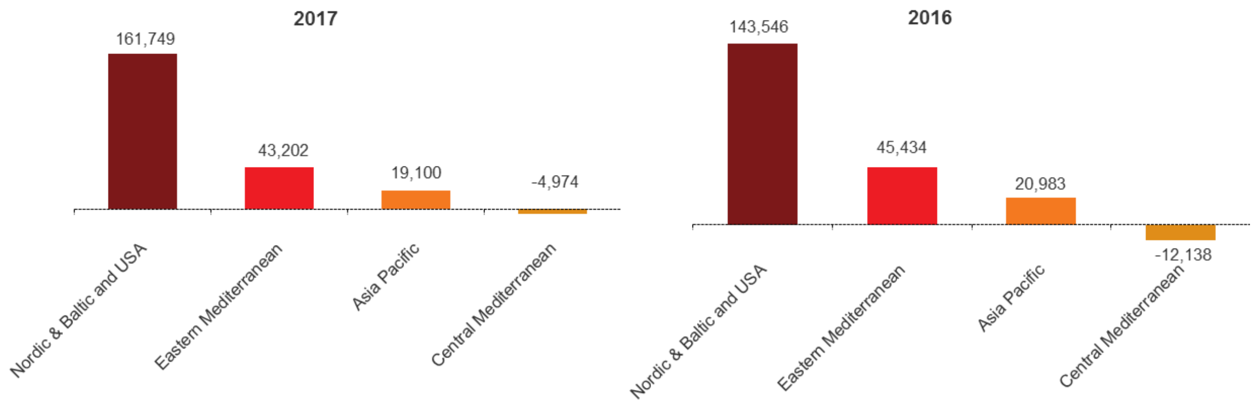


## Revenue from sales and services by geographical segment[1]




| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Nordic & Baltic and USA | 829,081 | 586,151 | 41.4% |
| Eastern Mediterranean | 229,585 | 260,162 | -11.8% |
| Asia Pacific | 83,002 | 80,887 | 2.6% |
| Central Mediterranean | 183,418 | 112,582 | 62.9% |
| Eliminations | (37,538) | (12,204) | 207.6% |
| **Total revenue from sales and services** | **1,287,549** | **1,027,578** | **25.3%** |

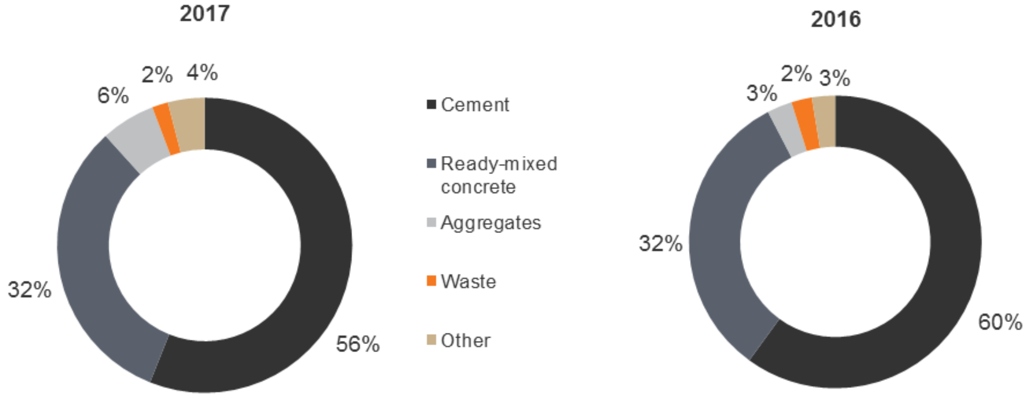
## EBITDA by geographical segment




| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Nordic & Baltic and USA [2] | 161,749 | 143,546 | 12.7% |
| Eastern Mediterranean [3] | 43,202 | 45,434 | -4.9% |
| Asia Pacific | 19,100 | 20,983 | 9.0% |
| Central Mediterranean | (4,974) | (12,138) | 59.0% |
| **Total EBITDA** | **219,077** | **197,826** | **10.7%** |

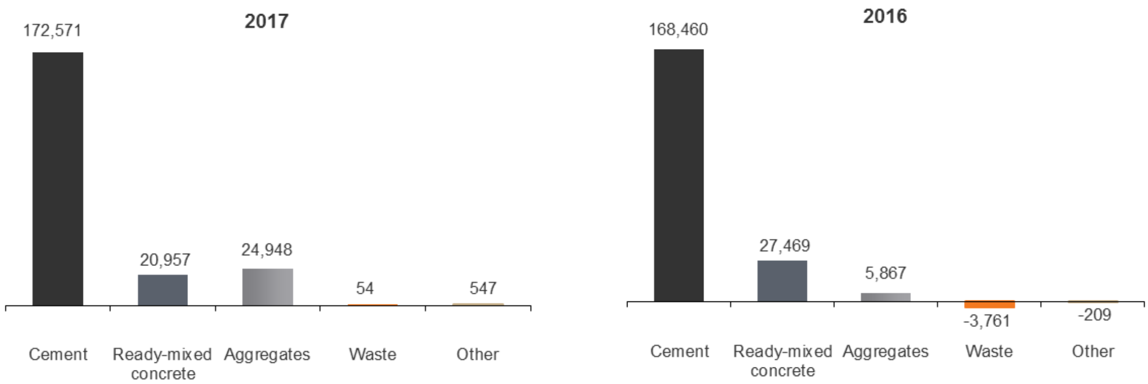
[1] The figures by geographical segment include the contribution of the Cementir Italia Group.
[2] Includes non-recurring revenue of EUR 15.1 million in 2016.
[3] Includes non-recurring revenue of EUR 10.1 million in 2017.

## Revenue from sales and services by business segment[4]




| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Cement | 777,711 | 669,326 | 16.2% |
| Ready-mixed concrete | 447,498 | 361,520 | 23.8% |
| Aggregates | 82,506 | 30,777 | 168.1% |
| Waste | 24,264 | 25,356 | -4.3% |
| Other | 55,820 | 28,672 | 94.7% |
| Eliminations | (100,251) | (88,074) | 13.8% |
| **Total revenue from sales and services** | **1,287,549** | **1,027,578** | **25.3%** |

## EBITDA by business segment




| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Cement [5] | 172,571 | 168,460 | 2.4% |
| Ready-mixed concrete | 20,957 | 27,469 | -23.7% |
| Aggregates | 24,948 | 5,867 | 325.2% |
| Waste | 54 | (3,761) | 101.4% |
| Other[6] | 547 | (209) | 361.7% |
| **Total EBITDA** | **219,077** | **197,826** | **10.7%** |

[4] The figures by business segment include the contribution of the Cementir Italia Group.
[5] Includes non-recurring revenue of EUR 10.1 million in 2017 and EUR 15.1 million in 2016.

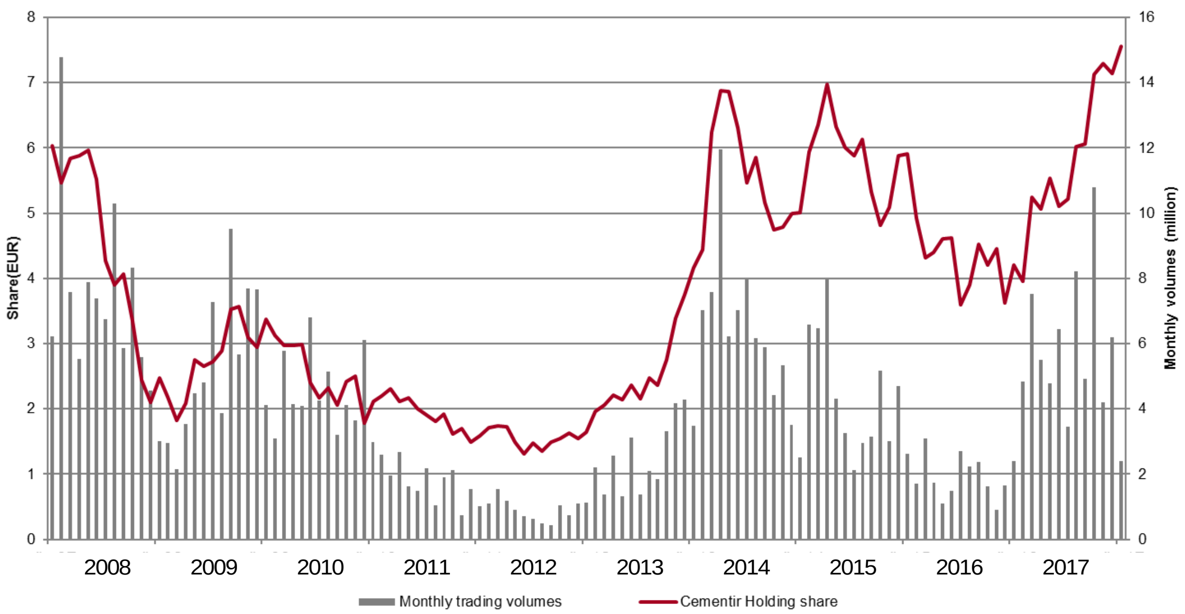
## CEMENTIR HOLDING ON THE STOCK EXCHANGE

### Key market data

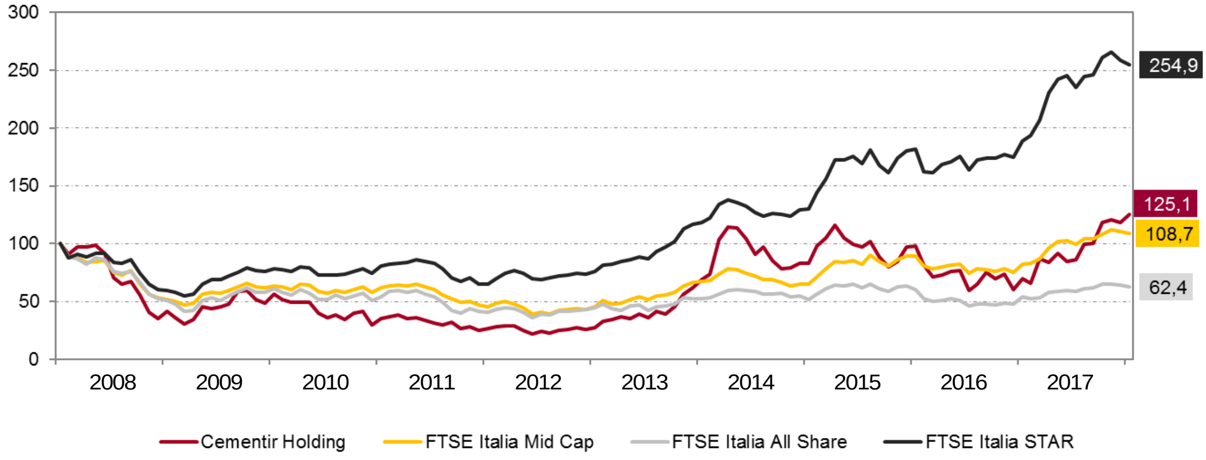
| *(EUR'000)* | **2017** | **2016** | **2015** | **2014** | **2013** |
|---|---|---|---|---|---|
| Share capital at 31 December (EUR) | 159,120,000 | 159,120,000 | 159,120,000 | 159,120,000 | 159,120,000 |
| Number of ordinary shares | 159,120,000 | 159,120,000 | 159,120,000 | 159,120,000 | 159,120,000 |
| Earnings per share (EUR) | 0.449 | 0.423 | 0.424 | 0.450 | 0.252 |
| Dividend per share (EUR) | 0.10 (1) | 0.10 | 0.10 | 0.10 | 0.08 |
| Pay-out ratio | 21.8% | 23.7% | 23.6% | 22.2% | 31.7% |
| Dividend yield (2) | 1.3% | 2.4% | 1.7% | 2.0% | 1.9% |
| Market capitalisation (EUR million)(2) | 1,201.4 | 668.6 | 939.6 | 798.0 | 662.3 |
| Share price (EUR) | | | | | |
| *Low* | 3.86 | 3.30 | 4.68 | 4.05 | 1.67 |
| *High* | 7.63 | 5.92 | 7.12 | 7.49 | 4.20 |
| *Year-end price* | 7.55 | 4.20 | 5.91 | 5.02 | 4.16 |

(1) Dividend proposed to the Shareholders' Meeting.
(2) Figures are calculated on the basis of the year-end price.

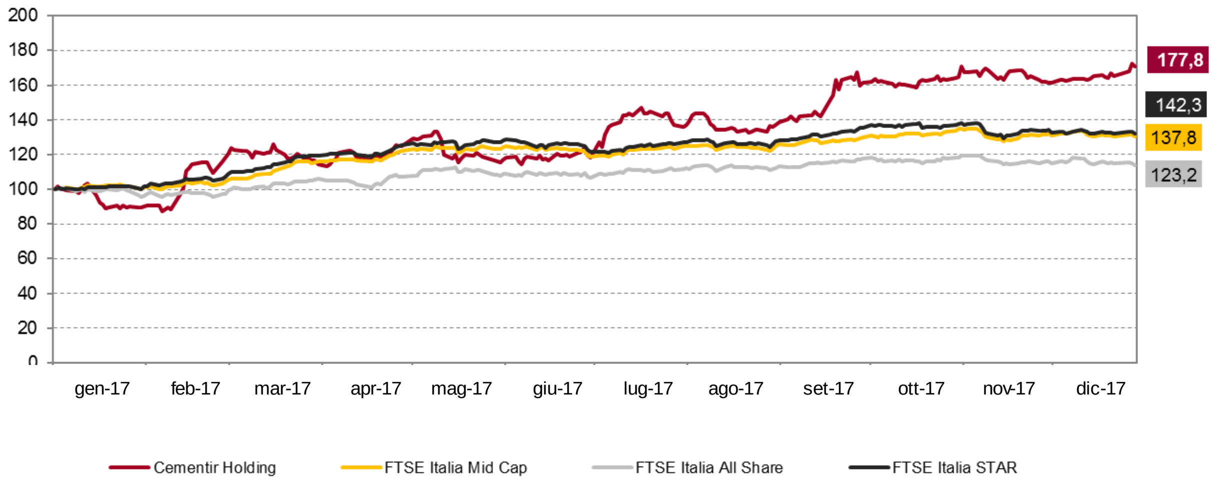
### Performance of Cementir Holding shares (31 December 2007–31 December 2017)



**Performance of Cementir Holding shares versus FTSE Italia Mid Cap, FTSE Italia All Share and FTSE Italia STAR indexes** (base 31 December 2007 = 100)




**Performance of Cementir Holding shares versus FTSE Italia Mid Cap, FTSE Italia All Share and FTSE Italia STAR indexes** (base 2 January 2017 = 100)



## Company officers

| | | |
|---|---|---|
| **Board of Directors**<br>for the period 2015–2017 | *Chairman and CEO* | Francesco Caltagirone Jr. |
| | *Deputy Chairman* | Carlo Carlevaris [1]*(independent)* |
| | *Directors* | Alessandro Caltagirone |
| | | Azzurra Caltagirone |
| | | Edoardo Caltagirone |
| | | Saverio Caltagirone |
| | | Mario Ciliberto[2] |
| | | Fabio Corsico |
| | | Mario Delfini |
| | | Veronica De Romanis *(independent)* |
| | | Paolo Di Benedetto[3] *(independent)* |
| | | Chiara Mancini *(independent)* |
| | | Roberta Neri *(independent)* |
| **Executive Committee** | *Chairman* | Francesco Caltagirone Jr. |
| | *Members* | Mario Delfini |
| **Control and Risks Committee** | *Chairman* | Paolo Di Benedetto[3] *(independent)* |
| | *Members* | Veronica De Romanis *(independent)* |
| | | Chiara Mancini *(independent)* |
| **Appointment and Remuneration Committee** | *Chairman* | Paolo Di Benedetto[3] *(independent)* |
| | *Members* | Veronica De Romanis *(independent)* |
| | | Chiara Mancini *(independent)* |
| | | Mario Delfini |
| **Related Parties Committee** | *Chairman* | Paolo Di Benedetto[3] *(independent)* |
| | *Members* | Veronica De Romanis *(independent)* |
| | | Chiara Mancini *(independent)* |
| **Board of Statutory Auditors**<br>for the period 2017–2019 | *Chairman* | Silva Muzi |
| | *Statutory auditors* | Claudio Bianchi *(standing)* |
| | | Maria Assunta Coluccia *(standing)* |
| | | Patrizia Amoretti *(alternate)* |
| | | Antonio Santi *(alternate)* |
| | | Vincenzo Sportelli *(alternate)* |
| **Manager responsible for financial reporting** | | Massimo Sala |
| **Independent auditors**<br>for the period 2012–2020 | | KPMG S.p.A. |

[1] Director only fulfils the independence requirements set out in Article 148, paragraph 3 of Legislative Decree No. 58 of 24 February 1998, as amended.
[2] The Director Mario Ciliberto resigned on 2 January 2018
[3] Lead Independent Director.

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# DIRECTORS' REPORT

## GROUP PERFORMANCE

### Introduction

This Directors' Report refers to the separate and consolidated financial statements of the Cementir Holding group as at and for the year ended 31 December 2017. They have been prepared pursuant the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission (hereinafter, the "IFRS").

This report should be read together with the financial statements and related notes, together making up the consolidated and separate financial report as at and for the year ended 31 December 2017. The consolidated financial statements of the Cementir Holding group at 31 December 2017 have been prepared in accordance with Consob Regulation No. 11971/1999, as subsequently amended.

Following the agreement for the sale of Cementir Italia SpA and its wholly owned subsidiaries Cementir Sacci SpA and Betontir SpA (the "Cementir Italia Group") finalised on 2 January 2018, the Group has recognised the effects of the sale as discontinued operations, in accordance with IFRS 5, which requires the reclassification in a separate line item of the net assets and profit or loss of the discontinued operations; therefore, the 2016 values have also been reclassified with reference to the items in the income statement. However, to facilitate analysis of business performance in 2017, operating results are also shown inclusive of the contribution of the Cementir Italia Group.

The comparison of the 2017 results with those of 2016 is heavily affected by the impacts of the acquisitions made during 2016. In particular:

- the acquisition of 100% of the share capital of Compagnie des Ciments Belges S.A. (CCB) from Ciments Français SAS, a subsidiary of HeidelbergCement, by Aalborg Portland Holding A/S, indirectly 100% owned by Cementir Holding, finalised on 25 October 2016.
- the acquisition of the cement and ready-mixed concrete business division of the subsidiary Cementir Italia SpA, finalised on 29 July 2016. The latter was sold on 2 January 2018.

The financial highlights as at 31 December 2016 have been restated to reflect the accounting effects deriving from the CCB Group purchase price allocation process. The completion of the purchase price allocation process led to changes in the values previously recognised as a result of the definitive measurement of the fair value of the assets acquired and liabilities assumed. For further details see note 31 to the consolidated financial statements.

**Group performance**

In accordance with IFRS 5, the results of the Cementir Italia Group have been recognised in 2017 as "discontinued operations". The 2017 figures also include the contribution of the Compagnie des Ciments Belges S.A. group (CCB), acquired on 25 October 2016.

The consolidated income statement for the year 2017 is reported below, with comparative 2016 figures, which are also reclassified.

## Reclassified income statement

| (EUR'000) | 2017 | 2016 Published | Change % | 2016 Restated [1] |
|---|---|---|---|---|
| **REVENUE FROM SALES AND SERVICES** | **1,140,006** | **1,027,578** | **10.9%** | **925,806** |
| Change in inventories | 623 | 3,263 | -80.9% | 986 |
| Other revenue[2] | 29,415 | 37,558 | -21.7% | 32,055 |
| **TOTAL OPERATING REVENUE** | **1,170,044** | **1,068,399** | **9.5%** | **958,847** |
| Raw materials costs | (444,161) | (432,711) | 2.6% | (369,611) |
| Personnel costs | (174,748) | (166,986) | 4.6% | (139,619) |
| Other operating costs | (328,438) | (270,876) | 21.3% | (241,115) |
| **TOTAL OPERATING COSTS** | **(947,347)** | **(870,573)** | **8.8%** | **(750,345)** |
| **EBITDA** | **222,697** | **197,826** | **12.6%** | **208,502** |
| *EBITDA Margin %* | *19.53%* | *19.25%* | | *22.52%* |
| Amortisation, depreciation, impairment losses and provisions | (82,132) | (103,167) | -20.4% | (72,936) |
| **EBIT** | **140,565** | **94,659** | **48.5%** | **135,566** |
| *EBIT Margin %* | *12.33%* | *9.21%* | | *14.64%* |
| Share of net profits of equity-accounted investees | 4,785 | 5,127 | -6.7% | 5,127 |
| Net financial income (expense) | (18,697) | 18,809 | -199.4% | 19,139 |
| **NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY ACCOUNTED INVESTEES** | **(13,912)** | **23,936** | **-158.1%** | **24,266** |
| **PROFIT BEFORE TAXES** | **126,653** | **118,595** | **6.8%** | **159,832** |
| *PROFIT BEFORE TAXES / REVENUE %* | *11.11%* | *11.54%* | | *17.26%* |
| Income taxes | (16,393) | (33,246) | -50.7% | (40,891) |
| **PROFIT FROM CONTINUING OPERATIONS** | **110,260** | **85,349** | **29.2%** | **118,941** |
| **LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX** | **(33,094)** | | | **(33,592)** |
| **PROFIT FOR THE YEAR** | **77,166** | **85,349** | **-9.6%** | **85,349** |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 5,695 | 18,079 | -68.5% | 18,079 |
| **PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | **71,471** | **67,270** | **6.2%** | **67,270** |

[1] The 2016 figures have been restated following the reclassification of the amounts relating to the Italian operating companies held for sale to "Loss from discontinued operations".

[2] "Other revenue" includes the income statement captions "Increase for internal work" and "Other operating revenue".

## Sales volumes

| (EUR'000) | 2017 | 2016 Published | Change % | 2016 [1] |
|---|---|---|---|---|
| Grey and white cement (metric tons) | 10,282 | 10,110 | 1.7% | 8,254 |
| Ready-mixed concrete ($m^3$) | 4,948 | 4,420 | 11.9% | 4,308 |
| Aggregates (metric tons) | 9,335 | 4,462 | 109.2% | 4,462 |

Sales **volumes** of cement and clinker, equal to 10.3 million tons, saw an increase of 1.7%, thanks to the change in the Belgian consolidation and the good performance in Denmark, Turkey, Egypt and Malaysia. It is stated that 2016 sales volume of cement and clinker included 1.9 million tons relating to discontinued operations.

Sales volumes of ready-mixed concrete, equal to 4.9 million cubic metres, were up 11.9% due to the acquisitions in 2016 and to strong performance in Denmark, Norway and Sweden, despite the fall in sales in Turkey. It is stated that 2016 sales volume of ready-mixed concrete included 0.1 million cubic metres relating to discontinued operations.

In the aggregates segment, sales volumes amounted to 9.3 million tons, up by over 109% thanks to the contribution of *Compagnie des Ciments Belges* and good performance in Sweden and Denmark.

Group **revenue from sales and services** was EUR 1,140.0 million, up 10.9% compared to EUR 1,027.6 million in 2016 due to the change in the scope of consolidation: specifically, in 2017, the revenue of the CCB group amounted to EUR 233.6 million (EUR 38.7 million in 2016, consolidated since 25 October 2016). It is stated that 2016 revenue included EUR 101.8 million relating to discontinued operations.

On a like-for-like basis, revenue increased 1.7% compared to 2016, despite the negative impact of exchange rates, above all in Turkey and Egypt. The strong performance of operations in Denmark, Norway and Sweden, with an increase in sales volumes of cement, ready-mixed concrete and aggregates, and in China (above all due to higher sales prices on the local market) offset the fall in revenue expressed in Euro in Turkey and Egypt.

It should be noted that the impact on revenue of the depreciation of the major foreign currencies compared to the euro was negative at EUR 78.6 million. At constant 2016 exchange rates, revenue would have amounted to EUR 1,218.6 million, 18.6% higher than the previous year.

**Operating costs**, amounting to EUR 947.3 million, were up by EUR 76.8 million on 2016, deriving mainly from the change in the scope of consolidation and after a positive exchange rate effect of EUR 62.4 million. It is stated that 2016 operating costs included EUR 120.2 million relating to discontinued operations.

The **cost of raw materials** was EUR 444.2 million (EUR 432.7 million in 2016), up due to the change in the scope of consolidation, the general increase in fuel purchase prices and higher production volumes of cement in Denmark, Turkey and Egypt, and of ready-mixed concrete in Denmark, Sweden and Norway, despite a positive exchange rate effect of EUR 40.7 million. It is stated that the cost of raw materials for 2016 included EUR 63.1 million relating to discontinued operations.

**Personnel costs** were EUR 174.7 million, up by EUR 7.8 million mainly because of the change in the scope of consolidation and benefitted from a positive exchange rate effect of EUR 6.7 million. The increase in personnel costs was mainly driven by higher production volumes in Scandinavian countries, labour-cost inflation, the increase in personnel costs at the parent and non-recurring costs for early contract terminations (EUR 3.2 million). It is stated that 2016 personnel costs included EUR 27.4 million relating to discontinued operations.

**Other operating costs** were EUR 328.4 million, up by EUR 57.6 million compared to the same period of the previous year mainly because of the change in the scope of consolidation, benefitting from a positive exchange rate effect of EUR 14.9 million. It is stated that 2016 other operating costs included EUR 29.8 million relating to discontinued operations.

**EBITDA** was EUR 222.7 million, up 12.6% on EUR 197.8 million in 2016. The figure benefitted from the change in the scope of consolidation with EBITDA of the CCB Group amounting to EUR 43.9 million (EUR 8.8 million in 2016). In addition, EBITDA benefitted from non-recurring income of EUR 10.1 million due to the revaluation of non-operating building grounds in Turkey. It is noted that the 2016 figure also included EUR 15.1 million in non-recurring income linked to the negative difference (negative goodwill) between the acquisition price and the preliminary determined fair value of purchased assets net of any liabilities. It is stated that 2016 EBITDA included a negative amount of EUR 10.7 million relating to discontinued operations.

In addition to the above-mentioned effects deriving from the change in the scope of consolidation and non-recurring items, EBITDA improved in China, United Kingdom, Norway and Sweden but fell in Turkey, Denmark and Malaysia, also because of the depreciation of foreign currencies against the Euro, mainly the Egyptian pound and the Turkish lira.

The depreciation of the major foreign currencies compared to the euro has a negative impact on EBITDA of EUR 19.5 million; accordingly, at constant exchange rates with 2016, EBITDA would have been EUR 242.2 million.

The EBITDA margin came to 19.5%, showing a slight improvement in profitability compared to 2016 (22.5%).

Net of amortisation, depreciation, impairment losses and provisions totalling EUR 82.1 million (EUR 103.2 million in 2016), **EBIT** amounted to EUR 140.6 million (EUR 94.7 million in 2016). It is stated that 2016 EBIT included a negative amount of EUR 40.9 million relating to discontinued operations.

Amortisation, depreciation, impairment losses and provisions include the impairment of trade receivables of EUR 2.2 million, depreciation of plant and machinery of EUR 3.5 million, and provisions for restructuring costs in Belgium of EUR 3.3 million.

The impact of the depreciation of the major foreign currencies compared to the euro was negative at EUR 12.3 million; at constant exchange rates EBIT would have been EUR 152.9 million.

The **share of net profits of equity-accounted investees** was EUR 4.8 million (EUR 5.1 million in 2016).

**Net financial expense** was EUR 18.7 million (net financial income of EUR 18.8 million in 2016) and reflects net exchange-rate losses of EUR 5.2 million (net exchange-rate gains of EUR 32.3 million in 2016) and higher borrowing costs incurred as a result of the increased level of average debt to finance the acquisitions in 2016. These negative effects were partly offset by the increased mark-to-market value of some financial instruments held to hedge exchange-rate, interest-rate and commodity risk, and the returns on the cash held by the Group. It should be noted that 2016 benefitted from over EUR 32.3 million in exchange-rate gains and included a negative amount of EUR 0.3 million relating to discontinued operations.

**Profit before taxes** amounted to EUR 126.7 million (EUR 118.6 million in 2016). It is stated that 2016 included a negative amount of EUR 41.2 million relating to discontinued operations.

**Profit from continuing operations** totalled EUR 110.3 million (EUR 85.3 million in 2016), after taxes amounting to EUR 16.4 million, down on the previous year (EUR 33.2 million). Income taxes in 2017 benefitted from the release of deferred tax liabilities following the reductions in tax rates in Belgium and the United States, both approved in December 2017, for EUR 21.5 million and EUR 2.2 million, respectively. It is stated that profit from continuing operations for 2016 included a loss of EUR 33.6 million relating to discontinued operations.

**Loss from discontinued operations, net of tax** was EUR 33.1 million, due to the Cementir Italia group; for further details, refer to the notes to the consolidated financial statements.

**Profit attributable to the owners of the parent**, i.e., once non-controlling interests were accounted for, amounted to EUR 71.5 million (EUR 67.3 million in 2016). The decrease in profit attributable to non-controlling interests (EUR 5.7 million compared to EUR 18.1 million in 2016) was mainly due to the decrease in profits of the Egyptian company Sinai White Portland Cement, of which the Group owns 66.4%.

## Financial highlights

| (EUR'000) | 31-12-2017 | 31-12-2016 |
|---|---|---|
| Net capital employed | 1,552,283 | 1,622,741 |
| Total equity | 1,015,659 | 1,060,303 |
| Net financial debt[3] | 536,624 | 562,438 |

**Net financial debt** at 31 December 2017 was EUR 536.6 million, down EUR 25.8 million compared to EUR 562.4 million at 31 December 2016. This improvement was due to cash flows from operating activities, despite investments of approximately EUR 92.1 million, the distribution of EUR 15.9 million in dividends, and a number of non-recurring transactions. These transactions included the acquisition of five ready-mixed concrete plants in northern France (EUR 2.6 million), the acquisition of a non-controlling interest in the Egyptian subsidiary Sinai White Portland Cement Company (EUR 7.5 million), and the adjustment of the total price for the acquisition of CCB, which was paid in July (EUR 10.5 million). The proceeds of EUR 315 million from the sale of the Cementir Italia group were received on 2 January 2018.

[3] Net financial debt (see note 17 to the consolidated financial statements) has been calculated in accordance with Consob rules, as per Consob communication DEM/6064293 of 28 July 2006.

**Total equity** at 31 December 2017 amounted to EUR 1,015.7 million (EUR 1,060.3 million at 31 December 2016).

### Financial indicators

The table below reports the profit and equity ratios considered most relevant in providing a summary picture of the performance and financial position of the Cementir Holding group.

| PERFORMANCE INDICATORS | 2017 | 2016 | COMPOSITION |
|---|---|---|---|
| Return on Equity | 10.86% | 11.71% | Profit from continuing operations/Equity |
| Return on Capital Employed | 9.06% | 8.73% | EBIT/(Equity + Net financial debt) |
| **FINANCIAL INDICATORS** | **2017** | **2016** | **COMPOSITION** |
| Equity ratio | 43.09% | 43.54% | Equity/Total Assets |
| Net Gearing Ratio | 52.84% | 53.05% | Net financial debt/Equity |

## KEY EVENTS OF THE YEAR

The year 2017 ended with EBITDA of EUR 222.7 million, an increase on the EUR 197.8 million of the previous year, thanks to the 12-month consolidation of the CCB Group and the improvement in China, United Kingdom, Norway and Sweden, which substantially offset the lower earnings in Turkey, Egypt and Malaysia. Also, the depreciation of the Turkish lira and the Egyptian pound had a negative impact on Group results.

The cash flow generated by operating activities and control of working capital allowed the Group to end the year with net financial debt of EUR 536.6 million, which was better than forecast.

On the operational front, the integration of the CCB group with the Group's organisational structure and IT platform are proceeding according to plan and should be finished by the end of the second quarter of 2018.

On 28 April 2017, the **refinancing** of a bridge loan worth a total of EUR 330 million was completed, as part of the loan agreement signed in October 2016 with a pool of banks, made available to finance the acquisitions of CCB and the Sacci business division, to refinance existing credit lines, and to service working capital requirements. The term of the bridge loan, initially set for April 2018, has been extended with the same pool of banks to October 2021, with bullet repayment. The conditions of the loan have been aligned with those of the term loan under the same agreement.

The procedure to **adjust the price paid for the acquisition of CCB** was concluded in July, resulting in the disbursement of EUR 10.5 million.

In August, Aalborg Portland Holding A/S acquired an **additional stake in the Egyptian company Sinai White Cement Company** for a total of EUR 7.5 million, increasing its interest from 57.1% to 66.4%. the transaction strengthened the Group's presence in the white cement sector in Egypt, of significant interest for the Group.

On 19 September, Cementir Holding SpA signed an agreement with Italcementi SpA, a wholly-owned subsidiary of HeidelbergCement AG, for **the sale of 100% of the share capital of Cementir Italia SpA**, including its wholly-owned subsidiaries Cementir Sacci SpA and Betontir SpA (Cementir Italia group), for EUR 315 million on a cash and debt-free basis. The sale of the shares, which was subject to authorisation from the Italian Antitrust Authority, was completed on 2 January 2018.

Other significant events included the incorporation of a trading company called Spartan Hive SpA in April 2017.

Lastly, in July 2017 a company was incorporated in Belgium, called Aalborg Portland Belgium, for the sale of white cement.

## PERFORMANCE BY GEOGRAPHICAL SEGMENT

### Introduction

Starting 1 January 2016, the Group's operations are organised into four Regions: Nordic & Baltic and USA (Denmark, Norway, Sweden, Iceland, Belgium, France, United Kingdom, Poland, Russia and United States), Eastern Mediterranean (Turkey and Egypt), Asia Pacific (China, Malaysia and Australia) and Central Mediterranean (Italy).

### Nordic & Baltic and USA

| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 829,081 | 586,151 | 41.4% |
| *Denmark* | *358,793* | *341,117* | *5.2%* |
| *Norway / Sweden* | *211,789* | *185,711* | *14.0%* |
| *Belgium / France* | *240,373* | *38,731* | *520.6%* |
| *Other (A)* | *65,469* | *59,707* | *9.6%* |
| *Eliminations* | *(47,343)* | *(39,115)* | |
| EBITDA | 161,749 | 143,546 | 12.7% |
| *Denmark* | *95,832* | *115,098 (*)* | *-16.7%* |
| *Norway / Sweden* | *18,093* | *16,761* | *7.9%* |
| *Belgium / France* | *44,866* | *8,738* | *413.5%* |
| *Other (A)* | *2,958* | *2,949* | *0.3%* |
| EBITDA Margin % | 19.5% | 24.5% | |
| Investments | 64,843 | 41,555 | |

*(A)* Poland, Russia, Iceland, United Kingdom, United States

(*) Includes EUR 15.1 million in non-recurring income

### Denmark

Despite the slowdown in growth in the third quarter of 2017, driven by the sharp correction in private consumption, the fundamentals of the economy remained solid. Gross Domestic Product posted a growth rate of 2% in 2017, in line with 2016. The real estate market continued to grow, sustained by rising incomes and very low interest rates. Housing prices continued to rise faster than general inflation, but the risks of a shock in the housing market are limited by credit restrictions.

In 2017, revenue from sales amounted to EUR 358.8 million, up 5.2% as a result of an increase in sales volumes of grey and white cement totalling 4.4%. On the domestic market, sales volumes of grey cement increased 2.8% mainly due to the residential, commercial and public sector with average sales prices showing a slight increase while volumes of white cement – albeit insignificant – saw a decline of 13% against steadily rising prices. Exports were up for both white cement (+7%) as a result of higher deliveries in France and Poland, and for grey cement (+11%), mainly destined for Norway and Iceland. Sales volumes of ready-mixed concrete were instead up slightly compared to 2016, despite the lower volumes for the Copenhagen Metro project, which is nearing completion, with prices slightly up.

EBITDA was EUR 95.8 million, down on EUR 115.1 million in 2016, which included non-recurring income connected to assets acquired in Belgium for EUR 15.1 million. In the cement sector, there was a decrease due to higher costs for the purchase of fuel caused by the higher prices on the international market, non-recurring costs for leaving personnel and higher management fees charged by the parent, despite the positive effect of higher sales volumes of cement, lower costs for the purchase of clinker from third parties compared to the previous year, and lower costs to purchase electricity; the ready-mixed concrete sector instead showed a slight improvement due to the positive effect of sales prices and volumes, which was only partially offset by higher variable costs (especially raw materials) and fixed costs (in particular personnel expense due to higher production volumes).
The main investments in the Denmark included, in the cement sector, the upgrade of the calciner in the grey cement kiln for EUR 8 million and, in the ready-mixed concrete sector, the construction of two new plants, located in Odense, in the south of the country, costing about EUR 4.2 million, and in Ribe (Jutland peninsula, southern Denmark) costing around EUR 1.6 million

**Norway and Sweden**

The Norwegian economy grew as expected in 2017 (+1.9%). The growth was driven by private consumer spending and the strong increase in investments in the “non-oil” sector. Government investment, together with work on new housing and low interest rates, helped to support the construction sector.
In **Norway** the Group’s ready-mixed concrete sales volumes increased 10% thanks to a particularly mild winter and the significant upturn in construction activity in all regions where the Group is present, except for the south of the country, with average prices in local currency up 1.8%.
In **Sweden**, levels of economic activity remained lively also in 2017 (around +2.5%). Good corporate health strengthened the labour market, with the unemployment rate reaching its lowest level since 2008.
In **Sweden**, the Group’s sales volumes of ready-mixed concrete increased 12.2%, driven in particular by the residential market in the Malmö, Helsingborg and Lund areas in the south of Sweden, where the Group’s subsidiaries have a greater presence, in view of an approximately 10% growth in the country’s construction market; aggregate sales increased by over 12%.
Overall revenue from sales were up 14% to EUR 211.8 million, while EBITDA was EUR 18.1 million, up 7.9%.
The Norwegian krone remained almost stable compared to the average exchange rate of 2016, while the Swedish krona fell by around 2% in the year.
Capital expenditure in 2017 totalled EUR 6.4 million and referred mainly to extraordinary maintenance work on production plants, upgrading transport vehicles (pumps and cement mixers) and the new lease of the Larvik / Tønsberg plant in Norway for around EUR 2.1 million.

**Belgium and France**

Economic growth in **Belgium** accelerated in 2017 compared to the previous year thanks to private investment and support for export demand. The construction sector was only marginally affected by the slight contraction in expected real estate investments, but recovered thanks to the increase in purchasing power and the high level of confidence of households.

The Group entered the Belgian market by acquiring Compagnie des Ciments Belges S.A.(CCB) in late October 2016, operating in the production and sale of cement, ready-mixed concrete and aggregates. It also has a production site in France and exports to neighbouring countries (Netherlands and Germany).

In 2017, the Group's cement sales volumes were up compared to the previous year, although the data were not yet included in the scope of consolidation, in particular in Belgium.

Sales volumes in the ready-mixed concrete sector were up, especially in Belgium as a result of the good weather. It should be noted that the Group acquired five ready-mixed concrete plants in northern France in the first quarter of 2017.

In the aggregates segment, the Group's sales volumes increased both in Belgium – destined mainly to the ready-mixed concrete and asphalt market – and in France, thanks to road construction projects in progress.

Overall, revenue from sales amounted to EUR 240.4 million with EBITDA of EUR 44.9 million.

Investments in 2017 totalled EUR 15.8 million and related mainly to extraordinary maintenance on the Gaurain plant, the acquisition of five ready-mixed concrete plants in northern France (EUR 2.6 million), the construction of the Rochefort terminal in France (EUR 1.1 million), and interventions in the aggregate sector.

### Other (Poland, Russia, Iceland, United Kingdom, United States)

In the **United Kingdom**, the Group's waste management revenue in local currency saw an improvement compared to 2016 as a result of the increase in volumes of processed waste at the subsidiary Quercia (over 40%), while revenue of the subsidiary Neales suffered a moderate decline due to the loss of several important contracts. EBITDA was up to EUR 0.3 million (negative EUR 0.6 million in 2016).

In the **United States**, the Group's subsidiaries reported an increase in revenue from sales of concrete products and an increase in production costs, due to an operating problem at the terminal in Tampa (Florida), which was resolved in mid February. EBITDA was slightly up compared to the same period of the previous year. It should be noted that the costs incurred relative to the restructuring of the terminal were almost entirely reimbursed by the insurance company.

Overall in Poland, Russia, Iceland, United Kingdom and United States, EBITDA was substantially stable at EUR 3.0 million.

In the waste management sector in the United Kingdom, EUR 0.4 million was invested. Lastly, investments totalling EUR 0.2 million were made in the United States.

## Eastern Mediterranean

| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 229,585 | 260,162 | -11.8% |
| *Turkey* | *193,142* | *214,913* | *-10.1%* |
| *Egypt* | *36,443* | *45,249* | *-19.5%* |
| *Eliminations* | *-* | *-* | |
| EBITDA | 43,202 | 45,434 | -4.9% |
| *Turkey* | *31,555* | *32,060* | *-1.6%* |
| *Egypt* | *11,647* | *13,373* | *-12.9%* |
| EBITDA Margin % | 18.8% | 17.5% | |
| Investments | 13,405 | 16,491 | |

In the Eastern Mediterranean, the Group operates in the production and sale of grey cement and ready-mixed concrete, as well as in waste management in Turkey, and the production and sale of white cement in Egypt.

**Turkey**

According to the most recent estimates, Turkey's GDP growth in 2017 will be around 7% – a rapid improvement from +3.2% in 2016. The bounce was driven by expansionary fiscal policies, government guarantees of lending to the economy and the consolidation of foreign demand. The construction sector benefited from government stimulus measures, especially in the infrastructure segment.

Group revenue fell to EUR 193.1 million (EUR 214.9 million in 2016) due partly to the depreciation of the Turkish lira against the euro (-23% compared to the average exchange rate for the same period of 2016).

Revenue in local currency increased by 10.8%. The Group's cement and clinker sales volumes saw a significant improvement in the second half of 2017, meaning that volumes for the year were up 4.6% compared to the previous year, both in the domestic market and in exports, after the early part of the year was affected by adverse weather conditions, delays on some key construction projects, strong competition and the uncertain political situation in the country.

Domestic cement prices in local currency were up, sustained by the start of anticipated infrastructure projects in the regions of Eastern Anatolia, Marmara (motorway bridges, canal bridges and canals) and the Aegean (residential, commercial and infrastructural investments) – all of which are regions where the Group has plants. In the ready-mixed concrete sector, sales volumes fell by 17% due to the deferral of a number of projects due to political uncertainty, adverse weather conditions and the increase in steel prices, up 9% in local currency. Three new ready-mixed concrete plants will be launched in the first quarter of 2018 to support the market position of the Trakya plant.

In the waste management sector, the subsidiary Sureko – which operates in the treatment of industrial waste – saw an improvement in revenue and profitability compared to 2016 due to the increase in volumes sent to landfill, sales volumes of alternative fuel (RDF), greater supplies of alternative fuel to the Group's cement

production plants (Edirne in particular), and an increase in volumes received for temporary storage, despite a decrease in recycled ferrous materials and packaging.
Hereko division, which processes Istanbul's solid urban waste, underwent a reorganisation in an effort to improve profitability and product quality. This led to a reduction in processed volumes (approximately 75%) but the accounting period ended with a notable improvement in results.
EBITDA was EUR 31.6 million (EUR 32.1 million in 2016) and included non-recurring revenue of approximately EUR 10.1 million due to the revaluation of non-core lands. The decrease, net of non-recurring items, was attributable to the depreciation of the Turkish lira and, on the cost side, a considerable increase in fuel costs on international markets and, to a lesser extent, in electricity costs. In addition, greater volumes of clinker were purchased from third-party suppliers and there was a rise in maintenance costs on cement plants, despite management efforts to recover profitability.
Investments made in 2017 amounted to EUR 10.2 million. Of this, EUR 8.1 million was in the cement sector, relating to works to upgrade and improve kilns and plants in order to cut nitrogen oxide emissions at Edirne and Elazig and to increase the use of alternative fuels at Izmir. A further EUR 1.1 million was in the ready-mixed concrete sector, mainly relating to extraordinary maintenance work and EUR 1 million was invested in the waste management sector.

**Egypt**

In 2017, Egypt continued to reap the benefits of its stabilisation and a broader reform programme that was launched more than a year ago. The building and energy sectors remained the principal drivers of growth, albeit hindered by double-digit inflation rates. The various social housing projects carried out by the government continued to be pursued intensively, as did infrastructure projects that benefited from foreign capital inflows as a result of the improvement in the degree of confidence of foreign investors.
In Egypt, revenue from sales totalled EUR 36.4 million (EUR 45.2 million in 2016), down due to the depreciation of the Egyptian pound against the euro (-83% compared to the average exchange rate in 2016) as, in early November 2016, the Egyptian Central Bank announced the decision to leave the Egyptian pound to float freely.
Revenue in local currency increased 47.2% thanks to higher sales volumes of cement on the domestic market (+10.2%) with an increase in average sales prices in local currency and the increase in export volumes (+4.6%), especially to Saudi Arabia, Russia and Jordan, with average sales prices in dollars falling in all principal markets. Overall cement sales – including exports – were up 7.3%.
EBITDA amounted to EUR 11.6 million (EUR 13.4 million in 2016), down due to the effect of the currency devaluation mentioned above, equal to approximately EUR 9.6 million. The positive effect of higher prices on the domestic market and the more profitable sales mix was partially mitigated by the increase in fuel costs on the international markets and by the increase in plant maintenance costs.
Investments in 2017 totalled EUR 3.2 million, mainly relating to extraordinary maintenance operations and the purchase of strategic spare parts.

## Asia Pacific area

| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 83,002 | 80,887 | 2.6% |
| *China* | *44,129* | *41,774* | *5.6%* |
| *Malaysia* | *38,966* | *39,269* | *-0.8%* |
| *Eliminations* | *(93)* | *(156)* | |
| EBITDA | 19,100 | 20,983 | -9.0% |
| *China* | *11,166* | *10,536* | *6.0%* |
| *Malaysia* | *7,933* | *10,447* | *-24.1%* |
| EBITDA Margin % | 23.0% | 25.9% | |
| Investments | 3,252 | 2,322 | |

In the Asia Pacific area the Group operates in China and Malaysia through its two white cement production plants, and in Australia through import terminals.

### China

China recorded economic growth of 6.9% in 2017, slightly up from +6.7% in 2016. The impact of economic stimulus measures on domestic demand, together with the rebound in exports, contributed to this slight uptick. However, the general slowdown seen since 2010 resumed in the second half of 2017, due to the restrictive effects of government policies. The tightening of the conditions for access to credit has slowed down growth in the residential sector and limited the local ability to finance infrastructure projects.

Revenue from sales was EUR 44.1 million, up 5.6% compared to 41.8 million in 2016.

In local currency, revenue from sales were up over 9% compared to the previous year thanks to the increase in the volumes of white cement sold on the domestic market (+12%), plus a favourable trend in prices (+9% in local currency). Exports were insignificant in the period and mainly directed to South Korea and Hong Kong, down 29% with falling dollar prices.

EBITDA of EUR 11.2 million (EUR 10.5 million in 2016) benefitted from the positive trend in prices on the domestic market, only partially offset by the increase in variable costs connected to the higher price of fuel on international markets, plus the increase in fixed costs for employees and maintenance.

Investments in 2017 totalled approximately EUR 0.7 million, mainly for a new packaging line for cement bags.

### Malaysia

The Malaysian economy accelerated significantly during 2017, ending the year with growth of 5.9% (4.2% in 2016). Growth was widespread, driven by a solid recovery in exports. Private consumption was driven up by higher wages, while gross fixed capital formation more than tripled its growth rate compared to last year. The construction sector showed a slight slowdown compared to 2016, due to the relative weakness of the residential and non-residential private segments.

In Australia, GDP decelerated slightly in 2017 compared to the previous year (+2.2% against +2.6% in 2016), mainly due to the negative contribution of net exports. The construction investment sector was held back by the residential segment, which was hit by a drop in maintenance and renovation spending, tighter bank lending conditions, and higher taxation on foreign home purchasers.

Group sales volumes of white cement and clinker were up 4% overall compared to the same period of the previous year: sales on the domestic market, albeit insignificant, were down 4% with averages prices in local currency slightly up, while exports of cement and clinker increased by about 5%, mainly due to higher volumes in Vietnam, Australia, Philippines and Japan, although exports to Singapore and South Korea were lower. Export prices of clinker and cement are generally decreasing due to the product mix and strong competition on international markets.

EBITDA fell to EUR 7.9 million compared to EUR 10.4 million in the previous year, because higher sales volumes were more than offset by higher costs for fuel, electricity and raw materials costs, higher fixed costs for production employees, maintenance and operating costs at the plant following technical problems in the kiln in the first half of the year, plus the effect of the fall in the exchange rate (6% compared to the average exchange rate in 2016).

Investments in Malaysia in 2017 totalled approximately EUR 2.5 million, mainly relating to extraordinary plant maintenance and the increased clinker storage capacity at the port of Lumut (approximately EUR 800 thousand).

### Central Mediterranean

| (EUR'000) | 2017 [4] | 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 183,418 | 112,582 | 62.9% |
| *Italy* | *183,418* | *112,582* | *62.9%* |
| EBITDA | (4,974) | (12,138) | 59.0% |
| *Italy* | *(4,974)* | *(12,138)* | *59.0%* |
| EBITDA Margin % | -2.7% | -10.8% | |
| Investments | 10,635 | 11,459 | |

The Group finalised the agreement to sell the Italian operations (Cementir Italia SpA and its wholly-owned subsidiaries Cementir Sacci SpA and Betontir SpA) on 2 January 2018.

After growth of 0.9% in 2016, Italian GDP closed 2017 with an increase of 1.5% thanks to good export performance and an increase in investments, supported in turn by better demand expectations and new tax incentives. The construction sector's contribution to growth remained modest, as shown by the very slow property market, the failure to recover house prices, and the slow recovery in public investment.

**Revenue from sales** totalled EUR 183.4 million (EUR 112.6 million in 2016) and included the revenue of Cementir Sacci of EUR 70.1 million (EUR 21.8 million in 2016). Cement sales volumes increased 35.5% compared to 2016 as a result of the 12-month consolidation of Cementir Sacci SpA, but fell 9.6% on a like-

[4] The 2017 figures benefit from the contribution of Cementir Sacci, acquired on 29 July 2016

for-like basis, with average prices rising. Sales volumes of ready-mixed concrete were up 13% compared to 2016 (-2.6% on a like-for-like basis).

**EBITDA** was a negative EUR 5.0 million (negative EUR 12.1 million in 2016) and includes the EBITDA of Cementir Sacci of EUR -2.5 million (EUR -3.0 million in 2016).

In Italy, a total of EUR 10.6 million was **invested** in 2017, of which EUR 5.2 million in the cement sector, mainly at the Maddaloni, Spoleto and Cagnano plants, and EUR 1.1 million in the ready-mixed concrete sector, in particular in the new Moriassi plant (COCIV consortium). In addition, Cementir Holding made investments worth EUR 4.4 million, mainly in Group information technology.

## INVESTMENTS

Investments totalling about EUR 92.1 million were made in 2017: EUR 60.0 million was invested in the cement business, EUR 17.5 million in the ready-mixed concrete business, EUR 8.5 million in the aggregate business, EUR 1.6 million in the waste management business, EUR 4.3 million in the IT systems of the holding company, and EUR 0.2 million in other activities.

The breakdown by asset class instead shows that EUR 71.7 million was invested in property, plant and equipment, while EUR 20.4 million was invested in intangible assets.

## RISKS AND UNCERTAINTIES

**Risk management**

The company believes that adequate management of business risks is essential for the achievement of corporate goals and for increasing the value of the company. For this purpose the Cementir group has defined guidelines for the identification, assessment and management of the main business risks, through a policy implemented in all Group companies. In this way, it has established a consistent method for managing risk across the Group by ensuring that:

- significant risks are identified, understood and visible to management throughout the Group, as well as to the Board of Directors;
- these risks are assessed by identifying their impact and their probability according to standard and uniform criteria;
- reasonable measures are taken – including in terms of the cost/benefit ratio – to control risks that could threaten the organisation's assets, ability to generate income or the achievement of operational objectives.

Risk management roles and responsibilities have been defined, starting from the parent's Board of Directors which defines the strategy, policy and risk appetite, supported by the Control and Risks Committee, and involving the management of the group companies who are responsible for risk management within their area of responsibility. The Risk and Compliance department is responsible for the development and maintenance of the risk management system, coordinates group-level risk management and is responsible for reporting to the management and Boards of Directors of Group companies.

The methodology followed involves an iterative process consisting of the following steps:

- Risk identification: The head of each geographical segment identifies the specific risks that could hinder achieving the targets for their business;
- Risk assessment: for each identified risk, management expresses an assessment in terms of likelihood and impact on the business, using a 5-level scoring system;
- Risk management: an "owner" is identified for each risk, making him/her responsible for verifying that the agreed initiatives are undertaken promptly and within the specified budget limits and that the initiatives effectively contribute to mitigate risk.
- Reporting: reports are prepared at business-unit, region and group level, showing the main risks and initiatives taken by management to reduce the risks to acceptable levels;
- Monitoring: the underlying assumptions on which the risks are assessed are periodically reviewed and new risks are identified.

The Internal Audit department is responsible for independent auditing of the risk management system and providing an annual opinion on its effectiveness.

All Group companies have implemented the aforementioned risk-management methodology by identifying, evaluating and managing the main risks. Management periodically updates and monitors risk, including associated with basic assumptions and new emerging risks, in order to promptly identify exposures.

The main strategic and operational risks to which the Group is exposed are set out below.

### Risk of loss of market share and/or margin

This risk relates to competitive dynamics and, in some geographical markets, may be combined with an economic downturn. To mitigate this risk, the Group companies analyse the relevant markets and plan initiatives to improve their ability to interpret market dynamics and trends, improving the services offered to customers.

### Energy risk

The cost of energy factors and in particular of petroleum coke, which accounts for a significant portion of Group variable production costs, may be subject to significant fluctuations. There is also a theoretical risk of fuel non-availability. The Group carefully monitors energy market trends and inventories of the various goods needed for production. We also have relations with various suppliers and continuously seek the best supply conditions to meet our needs.

### Risk relative to licences and permits to operate

This risk is related both to future renewals and to the possible increase in the costs of existing licences. The risk is mitigated through careful monitoring of permits and licenses and by evaluating alternative permits and/or supplies, taking suitable decisions on a case-by-case basis.

### Risk of non-availability of raw materials

Production of cement and ready-mixed concrete requires extensive use of non-renewable raw materials such as limestone, clay and aggregates. To mitigate this risk we make the necessary contractual arrangements with suppliers to ensure adequate supply.

### Risks connected to climate change

The cement production process is associated with environmental impacts in terms of atmospheric emissions, mainly carbon dioxide, dust and nitrogen and sulphur oxides. In European countries where the Group operates, there is a risk posed by governmental decisions on emissions and fluctuations in the price of $CO_2$ emission quotas, especially in the medium to long term. To mitigate these risks, the Group constantly monitors emissions and compliance with regulations, planning the availability of $CO_2$ emission quotas. The actions taken by the Group to manage and mitigate the risks connected to climate change are also set out in the Sustainability Report – Non-Financial Statement.

### Health and safety risks

This relates to the risk of accidents involving people working in Group facilities. The Group monitors workers' safety performance through specific indicators and takes actions to reduce this risk, such as targeted investments as well as safety training and information. Information on these actions and safety performance is provided in greater detail in the Sustainability Report – Non-Financial Statement.

### Risk of loss of key personnel

Risk of not being able to guarantee the rapid coverage of key positions within the Group. The Group monitors this risk through a specific indicator, using a target for the year in progress (Vacancy and Readiness Key Risk Indicators).

### Legal and compliance risks

These are risks related to compliance with antitrust, anti-corruption and privacy regulations, and with Legislative Decree 231/2001. The Legal Department – also through the Risk and Compliance Function – implements targeted programmes with guidelines, procedures and training to ensure compliance with the above regulations. The Organisation and Control Models required under Legislative Decree 231/2001 are periodically updated.

### Financial risks

The Cementir Holding group is exposed to financial risks in connection with its operations; in particular it is exposed to credit risk, liquidity risk and market risk. Financial risks are managed according to strict organisational procedures, which govern their management and apply to all transactions that give rise to financial assets/liabilities or trade receivables/payables.

At 31 December 2017, the Group's maximum exposure to credit risk totalled EUR 160.6 million, consisting of the carrying amount of trade receivables recognised in the statement of financial position (EUR 236.5 million in 2016). This credit risk is mitigated through careful assessment procedures on granting lines of credit to individual clients and the fact that there are no significant exposures due to concentration of positions.

The Group is exposed to liquidity risk in connection with the availability of funding and its access to credit markets and financial instruments in general. This risk is managed by the Group by continuously monitoring expected cash flows, available credit lines, repayment plans for existing loans, available liquidity and any funding requirements of subsidiaries, in order to identify the best ways to ensure the most efficient management of financial resources.

Market risk mainly concerns fluctuations in currency and interest rates. No new market risks arose in 2017 compared to those identified in the previous year. As the group companies operate on an international scale, they are structurally exposed to currency risk on cash flows generated by operating activities and financing/deposit activities in currencies other than the functional currency. Specifically, the cement sector is exposed to currency risk in terms of revenue on exports of products in currencies other the subsidiaries' reporting currency and in terms of costs to purchase solid fuel, which are usually priced in US dollars on international markets. The ready-mixed concrete sector is less exposed, as its revenue and costs are normally in local currency. The Group assesses the natural hedging of cash flows and financing for these currency risks and enters into contracts for hedging purposes. In addition, as the Group has net financial debt of EUR 536.6 million as at 31 December 2017, it is exposed to the risk of fluctuation of interest rates. The company purchases interest rate swaps to partly hedge the risk after assessing forecast interest rates and timeframes for the repayment of debt by using estimated cash flows.

### Key uncertainties and going concern

Beyond that reported in the section on business risks, the Group has the financial resources and adequate lines of credit to carry on its business and is not exposed to uncertainties that cast substantial doubt on its ability to continue as a going concern.

## INNOVATION, QUALITY, RESEARCH & DEVELOPMENT

### Research centres

Cement and ready-mixed concrete R&D is conducted in the centres in Aalborg (Denmark) and Spoleto (Italy). The centres are located near the main production facilities to facilitate close collaboration between R&D specialists, including engineers, chemists, geologists, industrial technicians and product technicians. The activities of these centres are aimed at improving the product quality, production process efficiency and related environmental issues through study and research into cement and ready-mixed concrete as well as on raw materials and fuels used in the production process, as well as to support commercial activity.

The Aalborg Research and Quality Centre manages R&D, quality, and technical sales support. It also supports the business units with expert assistance in projects, testing and specialist analyses. The Centre's competence covers areas related to raw materials, chemical and mineral processes used in kilns for cement, the applications of cement, and technology for the production of ready-mixed concrete.

There is a significant focus on white cement, with the Centre assisting global operations in order to achieve superior quality also in terms of customer support.

The Spoleto Research and Quality Centre supports the Italian production facilities.

### Innovation, Research and Development

Innovation, Research and Development is divided into three main strands:

- white cement
- sustainability
- product development

White cement is a product for high-end applications. The product is characterised by having a high chemical content, being white in colour, and being highly resistant.

In 2016, the Cementir group strengthened its commitment to the development of innovative applications for white cement, as well as strengthening the coordination of its competences. A large number of new applications for white cement are currently under development.

In cooperation with the University of Aalborg, three PhDs have focused on new opportunities deriving from applications of cement and ready-mixed concrete.

The Group is continuously engaged in the development of cement production technologies to reduce $CO_2$ emissions. This work is conducted as part of the “Green Concrete II” project, in which the Group is a participant. One of the project’s achievements has been the construction of a bridge in Denmark with 30% lower $CO_2$ emissions compared to conventional techniques.

Product development is a constant feature of the product portfolio, ensuring that customer needs are always fully met. The activities and projects in this area include the development of new types of cement for infrastructure applications.

**Quality**

The Cementir group's quality system is based on understanding which parameters are key to meeting the needs of customers. Through close cooperation with customers, the Group is able to identify key characteristics to be monitored by the control system during production, in order to ensure that customers receive products that are uniform, excellent quality and produced in a cost-effective way.

The quality system is based on close cooperation between all stakeholders within the organisation. Overall product quality and strategy are defined at Corporate level. Management defines targets and product portfolios at regional level. Quality and the status of product development projects are overseen by local management. Compliance with quality objectives is monitored daily by each cement plant. The Group Research and Quality Centre offers state-of-the-art support to guarantee and develop product quality and performance.

## IT SYSTEMS

In 2017, the Information Technology department underwent a change in its organisational structure, with the appointment of a new head of department and the definition and implementation of a new organisational chart. The main changes are aimed at major centralisation of functional responsibilities at Corporate level and the use of global resources to manage a portfolio of Group initiatives, as set out in the 2018-2020 IT Business Plan prepared at the end of the year.

In 2017, IT activities were mainly linked to the changes in the scope of consolidation of the Group, with the launch of the programme for the integration of CCB, the preparation and completion of the plan to segregate the Italian companies sold at the end of the year and to expand systemic support to existing or newly created companies in Northern Europe, which was completed for France, Poland and Belgium.

These initiatives had the common denominator of progressive rationalisation of the suite of applications used and convergence towards a single SAP system as a central element of a single, standard model of group processes and systems. The consolidation of this model is part of the three-year business plan based on SAP and on the selection of a limited number of non-SAP applications to support best practices already present in some entities of the Cementir group.

As regards infrastructure, initiatives have been launched and, in some cases, completed to improve the security and performance of the systems and networks, both at user-level and at data centres. A programme was launched to review technology connecting the Group's offices in order to improve its efficiency and flexibility of use, in line with actual requirements.

Migration to the Microsoft Office 365 platform has begun and has already been completed for over 1,700 users. This process has not only updated the versions of the Office software in use, consequently providing access to more advanced features, but has also enabled the roll-out of a system for video-conferencing, messaging and general intra- and extra-group communication that is all based on the same technology, with the primary aim of supporting the ability to work as "One Group", even from geographically distant locations.

In the same vein, the year saw the introduction of a single, Group-level user Helpdesk system to collect requests for IT support on all areas of possible assistance, which also makes it possible to utilise skills concentrated in different geographical segments.

## HEALTH, SAFETY AND ENVIRONMENT

### Health and safety

Cementir considers the health and safety of its employees at work as fundamental. That is why it continues to invest resources to provide all the tools and professional training required to create a strong safety culture. Alongside specific training on health and safety, there is also training on the safe use of machinery and constant investment in safety devices and in machinery, to ensure that plant technology remains at a high level.

In addition, the main Group plants have adopted an occupational health and safety management system certified with the OHSAS 18001 international standard by accredited external parties. As of 2017, 8 sites were certified to this standard, 5 in the cement sector and 3 in the waste treatment sector.

### Environment

The Group pursues sustainable development through continuous commitment to improving its environmental performance. In 2017, investment decisions were aimed at using the best technologies to harness economic growth to long-term objectives, such as monitoring energy consumption, increasing the use of alternative fuels in production, reducing greenhouse gas emissions and ensuring employees' health and safety.

The Cementir group has adopted environmental management systems, certified according to UNI EN ISO 14001, to secure continuous improvement of environmental performance.

As of 2017, 15 sites were certified according to this standard, of which 11 in the cement sector, 1 in the ready-mixed concrete sector and 3 in the waste treatment sector.

For more details, see the Sustainability Report – Non-Financial Statement.

## HUMAN RESOURCES

The Group continues to consolidate organisational structures, which operate in 18 countries across 5 continents, with a view to increasing human resource integration and securing organisational improvements.
The current market scenario and the global context require targeted and timely decision-making, which must be increasingly oriented towards the integration and sustainability of a Group identity, which in turn will provide better support for business decisions in the various international markets in which the Group operates.

**Changes in workforce and personnel costs**

At 31 December 2017, the Group had a workforce of 3,620 employees, 47 less than the 3,667 employees recorded at the end of 2016. This decline was largely attributable to the process of managing the integration of Sacci and Cementir Italia, while the reduction in workforce in the Eastern Mediterranean of 36 units was offset by the increase of 41 units in the Nordic & Baltic segment.
In line with the forecast trend in workforce, in 2017 there was a rise in personnel costs of EUR 39.9 million compared to 2016 (EUR 206.9 million in 2017 compared to EUR 167 million in the previous year). This was mainly driven by the change in the scope of the Group on an annual basis in Belgium and in Italy, higher production volumes in Scandinavian countries, the inflationary dynamic of the cost of labour and the increase in personnel costs at the parent, plus EUR 3.2 million in non-recurring costs for early contract terminations.

**Organisation**

In 2017, the Group continued the organic strengthening of its organisational platform, which began in the previous year, in order to make its structure more flexible in responding to and anticipating the needs of the market and company developments, especially those connected to M&A initiatives This process of organisational optimisation was conducted by acting on the following areas.
First and foremost, the integration of the businesses acquired during the previous year called for the definition and implementation of a detailed organisational development plan, aimed at harmonising the processes, governance and structures of the new entities with the standards established by the Parent. The local entities were progressively integrated into the Group's operating procedures and organisational model, which at 31 December 2017 consisted of five geographical segments: Nordic & Baltic and USA, Eastern Mediterranean, Central Mediterranean (overseeing the Italian subsidiaries), Asia Pacific, and CCB (as a stand-alone company present on various markets).
In addition to the geographical integration process, the Group has also revised its functional structure across various levels. The first action in this vein involves simplifying the role of guidance and coordination of the Holding over the business, which led to the reintroduction of the position of the Group Chief Operating Officer, who reports to the CEO. The COO has been allocated responsibility for overseeing the main operations of the business, enabling the Group CEO to focus on activities with a strategic impact on the business -- not least M&A.

This decision, which goes alongside a new system of dotted- and straight-line reporting and coordination between the holding company and the regions, has helped to simplify and accelerate decision-making processes and improved collaboration between central and local structures.

This process of high-level organisational review was complemented by a process of aligning the Group's taxonomy, with a careful review of organisational terminology, as well as a redefinition and refinement of responsibilities, with a view to simplification and clarification between the holding, the regions and the operating companies. The new organisational taxonomy gives Corporate - instead of the previous term "Holding" - a clear role in guidance, monitoring and coordination, while delegating operational responsibilities to the Regions and the Business Units.

This high-level process of clarification also had knock-on effects for transactional structures: the holding company's structures have benefitted from a careful organisational overhaul based on structured job and process analysis and external market analysis, with a breakdown of responsibilities on a global scale and consequent transparent communication of new powers.

Finally, an equivalent process was also carried out at regional level. The companies have been reorganised according to a standard shared at Group level in order to promote processes for harmonising practices and generating operational synergies.

The existing matrix-based model built on the system of professional families has also benefited from a review and development process, in order to systematically introduce a common way to understand the organisation and develop a shared language, to define and clarify roles and responsibilities, to enable managerial processes and functional practices, and to increase integration and synergies between the different Group companies. All 3,620 Group employees have been mapped within an organisational platform consisting of 12 main areas (professional families) and a series of sub-areas, in order to leverage the knowledge and specific characteristics of the community of experts grouped into the various professional families.

**Development and Recruitment**

During 2017, work was carried out on preparing a new Group policy for recruitment and selection, which it is hoped will support the achievement of business objectives by quickly locating external skills and expertise not currently present within the Group and facilitating generational turnover. In particular, the aim was to make the recruitment process more reliable and structured, by cooperating with local structures in the search for management personnel, adopting a set of diagnostic instruments, and promoting the use of a social-media platform for recruitment. In addition, the Company has set up an onboarding process to facilitate integration into the new organisational framework, knowledge of the main stakeholders and processes, and integration into and compliance with company culture. At the same time, the Company has initiated closer collaboration with the academic and educational world through Employer Branding initiatives, in order to better target and train young people through in-school and extra-curricular internships, and also participated in career days organised by universities.

In May 2017, the Group Leadership Model was issued, reflecting the set of skills and behaviours that staff must embody in order to achieve the Group's strategic objectives and be increasingly competitive on the market. The Model was gradually integrated into the main staff assessment and development processes, starting from external recruitment processes, and assessment of potential (pilot project on the Management Team of CCB) and performance (pilot involving some managerial staff). An integral part of Group Identity, the Model has also been the subject of intra-Group and local communications initiatives, and a leaflet was distributed online and in paper setting out the expected skills and behaviours, the latter broken down by target population (senior leaders, managers and professionals). At the end of 2017, planning began on an **online training module** for all Group personnel, to help improve understanding of the Model and its components and to foster an improvement and consolidation of skills to increase individual and organisational performance.

The first half of 2017 was dedicated to the identification of managerial talent in the Group (**Talent ID**) through structured interviews with the senior management team (using the performance/potential matrix) and expanded consensus meetings. This is an initial pilot project for mapping the internal Leadership Pool (Group, Regional and Local Talents) to be developed towards managerial responsibilities or, if they are already managers, towards taking on more complex management roles through targeted actions. At the same time, we worked on preparing a structured process of Group succession planning designed to ensure business continuity by ensuring ongoing coverage of "critical" positions and identifying and developing a portfolio of internal successors. We therefore mapped the critical roles of the Group and identified internal successors and their level of readiness, in order to understand the level of business risk linked to specific KPIs and to adopt short-, medium- and long-term corrective measures, such as job and project assignment, management education, international mobility programmes, etc.

Finally in the second half of 2017, we set up an online training programme on health and safety in the workplace aimed at all Corporate staff, differentiated by target population. The programme will launch at the beginning of 2018. We have also started to plan some online training modules to communicate the 231 Organisational Model, the Code of Ethics and the fraud management system within the Group. All these measures have been arranged for 2018 by drawing on inter-professional funds for professional training (Fondimpresa, Fondirigenti).

**Remuneration**

For the purposes of compliance with the Business Plan, the 2017 Remuneration Policy Guidelines set out challenging performance targets that made it possible to guide, monitor and assess activities related to business oversight and development, which are crucial to the achievement of the objectives of the company's strategic plan.

The entire managerial population was focused on objectives revolving around the financial management and organisational development of the Group ("One Group"), which were the priorities for 2017 and were therefore arranged into a cascading process in the various countries, covering all organisational levels, with the introduction of a single Group incentive system.

Particular attention was paid to setting annual remuneration policies in terms of selectivity and focussing especially on the identification of critical resources, as part of a drive towards improving remuneration positioning, considering the specific conditions of the relevant labour markets, inflation and business prospects.
The remuneration policy guidelines were also oriented towards the long term, and long-term variable incentives were replaced by a new long-term "rolling" bonus incentive plan, selectively adopted in order to strengthen several Top Managers' buy-in to the Business Plan, to promote the improvement of business performance and to pursue the creation of value over the medium/long term.
The 2017 Remuneration Policy, whose main instruments and objectives are outlined in the Report on Remuneration, remained consistent with the governance model adopted by the Company and with the recommendations of the Corporate Governance Code, in order to attract, motivate and retain staff with a high professional and managerial profile and to align management interests with the main objective of creating value for shareholders over the medium/long term.

**Internal communication**

In 2017, the Group started a project to update its identity, aimed at defining its new shared Vision, Mission and Values, as well as a Competency Model applicable to all employees of its companies. The Group developed a process divided into various stages for analysis and listening to employees and the main internal and external stakeholders. This enabled it to develop a platform to define the market positioning of the company and definitively configure Group identity. Meetings, round tables and town halls were held to explain messaging and share the corporate and cultural values that enable the different identities in the Cementir group to be leveraged for the common good. During the second half of the year, all the Regions developed a plan for the launch and communication of the new messages over each company's internal communication channels, according to a model defined at Corporate level. A global survey has been scheduled for 2018 on the new identity, whose results will help to improve the communication process and carry out the necessary supporting actions.

**Social Dialogue**

The Cementir group maintains continuous and structured dialogue with European workers' representatives at its two companies. During the year, management informed and advised employees and trade unions on transnational issues concerning the status of its activities and other significant decisions that the Group has taken in relation to the business and its employees. Meetings were attended by representatives from Belgium, Denmark, Italy and Norway according to the rules and the format adopted by the European Works Council (EWC) of the Cementir group. In November, the plenary meeting of the EWC was held in Copenhagen, enabling delegates to attend information and training sessions and to visit the ready-mixed concrete plant in Averdore, which is one of the largest plants in the area, owned by the company Unicon A/S.

## OTHER INFORMATION

### Alternative performance indicators

In addition to conventional financial indicators under IFRS, the Cementir Holding group also uses a number of alternative performance indicators to allow a better assessment of earnings and financial performance. In line with Consob Communication 92543/2015 and the ESMA Guidelines (ESMA/2015/1415), the meaning and content of these indicators are provided below.

- EBITDA: an indicator of operating performance calculated by adding together "EBIT" and "Amortisation, depreciation, impairment losses and provisions";
- Net financial debt: an indicator of financial structure calculated according to Consob Communication 6064293/2006, as the sum of the items:
    - Current financial assets
    - Cash and cash equivalents
    - Current and non-current financial liabilities
- Net capital employed: calculated as the total amount of non-financial assets, net of non-financial liabilities.

### Litigation

***Antitrust proceedings***

On 7 August 2017, upon completion of an investigation, the Italian Antitrust Authority ("Authority") served the subsidiary Cementir Italia its final decision, imposing an administrative fine of EUR 5,090,000. The Authority found that the parties involved in the proceedings had a single, complex and ongoing arrangement to coordinate cement sales prices across Italy, also supported by a survey of the trend in their respective market shares that was carried out through an exchange of sensitive information facilitated by the industry association AITEC.

Cementir Italia submitted an appeal on 6 October 2017 to the Regional Administrative Court (TAR) of Lazio for the suspension and subsequent cancellation of the final decision of the Authority, claiming it to be without foundation and illogical, in particular because it attributes a series of alleged unlawful actions to the Company without adequate supporting evidence or in some cases total absence of evidence, and because the Authority has not justified its rejection of the detailed explanations given by the Company. On 11 November 2017, the Regional Administrative Court of Lazio did not grant suspension of the decision and set the hearing for the appeal for June 2018.

***Tax proceedings against Cementir Italia ("Eco-tax")***

In 2015, the Italian Finance Police (Guardia di Finanza) in Taranto and the Taranto Provincial Police Unit began a tax audit of the company Cementir Italia SpA. (Taranto plant) to check on payment of the special tax for the disposal in landfill of solid waste ("Eco-tax"), relating to the slag stored and used in the Taranto plant. On 19 October 2016, despite the defence submitted by the Company, Puglia Region Local Tax Service issued a notice to pay a total of EUR 1.3 million, confirmed by the definitive tax assessment dated 12 January 2017.

The Company has appealed to the Provincial Tax Commission of Bari against this decision, requesting its suspension and subsequent cancellation. The company retains that its slag is not waste but rather a by-product and in any case is not waste to be sent to landfill and hence is not subject to tax, as the material can be perfectly well recovered and used in the cement production cycle; in addition, disposal of slag is not an instance of illegal waste disposal.

On 28 June 2017, the Provincial Tax Commission of Bari accepted the request to suspend the disputed decision and set the hearing to discuss the matter for 13 December 2017.

With the decision of 14 December 2017, the Provincial Tax Commission of Bari rejected the appeal of the company. Cementir Italia considers the decision to be both factually and legally incorrect. As proof of this, the offending "waste" has in the meantime been fully removed from the area of the Taranto plant and entirely recovered.

The company is therefore awaiting notice of the decision before submitting the customary appeal.

***Preventive seizure of specific areas and facilities in the Italian plant at Taranto***

On 28 September 2017, a preventive seizure order was served on Cementir Italia SpA, Ilva SpA (in extraordinary administration) and Enel Produzione SpA, as well as some employees of the three companies, issued by the Preliminary Investigating Judge of Lecce (Case no. 3135/17 R.Gip), which also appointed the guardians and legal administrators.

As concerns Cementir Italia, the seizure order related to:

1) seizure of the Cementir Italia SpA plant in Taranto, with provisional usage rights, subject to the order to immediately cease procuring ash from the Enel Produzione plant and Brindisi and the use in Cementir Italia's production cycle of fly ash compliant with application legislation;
2) seizure of the remaining inventories stored in warehouses and/or other organisational units within Italy pertaining to "Cementir Italia SpA" of Portland cement (CEM V-B) produced using fly ash from the Enel Produzione plant in Brindisi.
3) seizure of the assets owned by Cementir Italia in Taranto used to process Ilva slag with provisional usage rights, for a period of 60 days, subject to the order for Cementir Italia to manage the slag as waste and to characterise and possibly restore the areas used to store the slag.

Cementir Italia's involvement concerns the administrative offences set out in articles 5, 6 and 25-undecies, paragraph 2 letter F), Legislative Decree 231/2001 with reference to article 260 Legislative Decree 152/2006, as the actions described above are alleged to have been committed by persons responsible for the direction and management of the Cementir Italia plant in Taranto.

According to the investigators' allegations (i) the fly ash that Cementir Italia bought from Enel Produzione, originating from the Federico II thermoelectric power plant in Brindisi, did not comply with applicable legislation, as traces of substances not derived solely from burning coal were found. Cementir Italia's involvement in the issue, as mere purchaser of the product, is due to allegations that it knew about this situation; (ii) the blast-furnace slag supplied by Ilva to Cementir Italia should be treated as waste, due to its alleged "mechanical" impurities (presence of ferrous metals, crushed stone, debris, etc). According to the investigators, this is also proved by the treatments to which the slag in question needs to be subjected in order to be used in the cement production cycle, namely screening and deferrization, both of which are outside "normal industrial practice" for "pozzolana cement".

Both allegations appear to be completely without foundation.

The supply of fly ash ceased in early 2016 and there are therefore no remaining quantities of cement produced using fly ash from Enel Produzione.

Regarding the slag supplied by ILVA, "the normal industrial practice" for the use of slag (which is different to pozzolana) in the production of cement includes both screening and deferrization, both expressly authorised in the Integrated Environmental Authorisation (AIA) of Cementir Italia's Taranto plant.

With a series of subsequent measures, the judge - on request of the prosecutor - launched a special enquiry into the above events.

At the same time, the judge "unblocked" a series of rights of Cementir Italia that were originally prevented by the seizure, including the right to sell the slag cement stored at the site on the date of seizure; the right to use the slag stored at its premises; the right to procure slag from third parties; the right to use the areas for storing slag, the iron remover and the internal conveyor belts.

Most recently, with a ruling of 19 February, the judge authorised the resumption of the supply of slag from ILVA to Cementir Italia.

### Non-Financial Statement

In accordance with the provisions of Legislative Decree No. 254/2016, the Group integrated the financial reporting with the Non-Financial Statement prepared in the form of Sustainability Report. This document is made available to the public at the Company website www.cementirholding.it at the same time as the 2017 Annual Report, of which this Directors' report is an integral part.

## PERFORMANCE OF THE PARENT

The following table shows Cementir Holding SpA's key financial statements figures at 31 December 2017:

**Reclassified income statement**

| (EUR'000) | 2017 | 2016 | Change % |
|---|---|---|---|
| **REVENUE FROM SALES AND SERVICES** | **27,792** | **20,942** | **32.7%** |
| Other revenue | 1,848 | 1,151 | 60.6% |
| **TOTAL OPERATING REVENUE** | **29,640** | **22,094** | **34.2%** |
| Personnel costs | (15,615) | (8,714) | 79.2% |
| Other operating costs | (12,664) | (12,798) | -1.0% |
| **EBITDA** | **1,361** | **581** | **134.2%** |
| Amortisation, depreciation, impairment losses and provisions | (1,543) | (1,143) | 35.0% |
| **EBIT** | **(182)** | **(561)** | **67.7%** |
| Financial income | 18,904 | 4,056 | 366.1% |
| Financial expense | (141,430) | (11,412) | n.s. |
| **NET FINANCIAL EXPENSE AND SHARE OF NET PROFITS OF EQUITY ACCOUNTED INVESTEES** | **(122,526)** | **(7,356)** | **n.s.** |
| **LOSS BEFORE TAXES** | **(122,708)** | **(7,918)** | **n.s.** |
| Income taxes | (535) | 2,037 | n.s. |
| **LOSS FOR THE YEAR** | **(123,243)** | **(5,881)** | **n.s.** |

Revenue from sales and services was earned from consultancy services provided to subsidiaries and from royalties on their use of the trademark. The 32.7% rise on the previous year was due to the increase in services provided during 2017, including to the companies acquired in the second half of 2016.

EBITDA was positive at EUR 1.4 million, an improvement compared to the previous year due to the aforementioned increase in revenue, partly absorbed by increase in personnel costs in particular as a result of the increase in the average workforce, the different composition of the workforce, and non-recurring expenses for early contract terminations.

Amortisation and depreciation stood at EUR 1.5, up compared to the previous year (EUR 1.1 million in 2016) as a result of the development and upgrading of company software.

Net financial expense was EUR 122.5 million due to the EUR 121.6 million impairment of the investment in Cementir Italia SpA sold at the beginning of 2018, resulting from the difference between the sale price and the carrying amount of the investment. Net of that non-recurring item, net financial expense would have totalled EUR 0.9 million, consisting primarily of financial expenses, due to the financial income connected to the mark-to-market valuation of derivative financial instruments held for hedging purposes, the interest on cash held and higher borrowing costs.

After income taxes of EUR 0.5 million (net positive balance of EUR 2.0 million in 2016), the loss for the year was EUR 123.2 million (loss of EUR 5.9 million in 2016).

The Company's net financial debt at 31 December 2017 amounted to EUR 281.8 million (net debt of EUR 397.0 million at 31 December 2016) – an improvement of EUR 115.2 million compared to the previous year. This change is mainly due to the full repayment during the year of the revolving credit line equal to EUR 110 million. In addition, dividends totalling EUR 15.9 million were distributed to shareholders.

In accordance with Consob Communication No. 60624293 of 28 July 2006, the loan to the subsidiary Aalborg Portland Holding A/S – categorised as a non-current financial asset – has not been included in the calculation of the Company's net financial debt. If the loan had been included, net financial debt would have been EUR 102.0 million (as represented below).

| (EUR '000) | **31.12.2017** | **31.12.2016** |
|---|---|---|
| Current financial assets | 44,167 | 259,687 |
| Financial assets held for sale | 211,430 | - |
| Cash and cash equivalents | 4,021 | 5,710 |
| Current financial liabilities | (36,774) | (26,468) |
| Non-current financial liabilities | (504,602) | (635,927) |
| Financial liabilities associated with assets held for sale | (23) | - |
| **Net financial debt (as per Consob Communication)** | **(281,781)** | **(396,999)** |
| Non-current financial assets | 179,784 | 329,685 |
| **Total net financial debt** | **(101,997)** | **(67,314)** |

Non-current financial assets fell following the partial repayment of the loan between Aalborg Portland Holding A/S and Cementir Holding SpA.

For an in-depth analysis of performance and financial position, please refer to the notes to the separate financial statements of Cementir Holding SpA.

**Financial indicators**

Cementir Holding SpA does not have operations and, therefore, its financial indicators are of limited relevance in giving a snapshot of the company's performance.

As for the equity indicators, the equity ratio shown in the table below shows the financial strength of the Parent.

| FINANCIAL INDICATORS | 2017 | 2016 | COMPOSITION |
|---|---|---|---|
| Equity Ratio | 36.45% | 40.34% | Equity/Total Assets |

**Other information**

With reference to a dispute between the Turkish stock exchange's regulatory and supervisory body (Capital Market Board – CMB) and the Turkish company Cimentas AS, indirect subsidiary of Cementir Holding SpA, over the intragroup sale price of an equity investment in 2009, in which the CMB called on Cimentas AS to demand Cementir Holding SpA and any other companies involved in the Cementir group to pay back around

EUR 100 million Turkish Lira (now equal to around EUR 27 million), we note that the request for a suspension of the decision challenged by Cimentas, which was accepted by Ankara Administrative Court on 26 May 2015, was subsequently rejected by Ankara Regional Administrative Court on 6 August 2015 for entirely procedural reasons. A decision on the action for dismissal brought by Cimentas AS is still pending on the merits. On 29 January 2017, CMB served a summons to Cementir Holding to appear before the Court of Izmir, requesting that the company be ordered to pay to Cimentas AS an amount provisionally set at approximately 1 million Turkish Lira. Cementir Holding SpA duly filed an appearance, arguing the total baselessness of the plaintiff's argument, both procedurally and on merit, and in any case requesting suspension of the civil case until the administrative action is settled. In the unlikely event that this administrative action is rejected, the issue would in any case solely be relevant between companies of the Cementir group.

**Financial risk management**

Cementir Holding SpA is exposed to financial risks in relation to its business activities, in particular, credit risk, liquidity risk and market risk.

In any case, as at 31 December 2017, Cementir Holding SpA has no material exposure to *credit risk* as its receivables are due mainly from subsidiaries for services provided to them.

The parent is exposed to liquidity risk in connection with the availability of funding and its access to credit markets and financial instruments in general. Given its strong financial position, this risk is not material. Nonetheless, Cementir Holding SpA manages liquidity risk by carefully monitoring cash flows and funding requirements. It has more than adequate credit facilities to meet any unforeseen requirements, including at Group level.

*Market risk* mainly concerns fluctuations in currency and interest rates.

Cementir Holding SpA is directly exposed to currency risk to a limited degree in relation to loans and deposits held in foreign currency. The Company constantly monitors these risks so as to assess any impact in advance and take any necessary mitigating actions.

Finally, Cementir Holding SpA has floating-rate bank loans and borrowings and is exposed to the risk of fluctuations in interest rates. This risk is considered moderate as the company's loans are currently only in Euros and the medium to long-term interest rate curve is not steep. The company purchases interest rate swaps to partly hedge the risk after assessing forecast interest rates and timeframes for the repayment of debt by using estimated cash flows.

## RELATED-PARTY TRANSACTIONS

With regard to related-party transactions, as defined by IAS 24, the Group did not conduct any atypical and/or unusual transactions. All business and financial dealings with related parties were conducted on terms equivalent to those that prevail in arm's length transactions.

The Group did not conduct any significant or material transactions as defined for the purposes of Consob Regulation No. 17221 of 12 March 2010 concerning related-party transactions. Note 34 to the consolidated financial statements and note 30 to the separate financial statements provide an analysis of transactions with related parties, as required by Consob resolution No. 15519 of 27 July 2006.

## TREASURY SHARES

At 31 December 2017, the parent and its subsidiaries did not hold, either directly or indirectly, shares or units of the ultimate parent. They did not purchase or sell such shares during the year.

## RECONCILIATION OF THE PARENT'S EQUITY AT 31 DECEMBER 2017 AND PROFIT (LOSS) FOR THE YEAR THEN ENDED WITH CONSOLIDATED EQUITY AND PROFIT (LOSS)

| (EUR '000) | **Profit (loss) for 2017** | **Equity at 31 December 2017** |
|---|---|---|
| **Cementir Holding SpA** | **(123,243)** | **340,905** |
| Effect of consolidating subsidiaries | 189,929 | 977,715 |
| Effect of equity-accounted investees | 4,785 | 45,272 |
| Change in reserves | - | (401,965) |
| Other changes | - | (5,739) |
| **Total attributable to the owners of the parent** | **71,471** | **956,188** |
| **Total attributable to the non-controlling interests** | **5,695** | **59,470** |
| **Cementir Holding group** | **77,166** | **1,015,658** |

## CORPORATE GOVERNANCE

Cementir Holding SpA's corporate governance system is in line with the principles of the Corporate Governance Code for Listed Companies and international best practices.
During 2017, the Shareholders' Meeting of 19 April 2017 appointed the Board of Statutory Auditors and the Chairman of the Board of Statutory Auditors for the three years 2017-2018-2019.

- Silvia Muzi (Chairman) and Antonio Santi (Alternate Auditor) were drawn from the list submitted by a group of shareholders comprising asset management companies and other investors holding a total of around 1.347% of the Company's share capital and voted for by a minority of shareholders present at the meeting; and
- Claudio Bianchi and Maria Assunta Coluccia (Standing Auditors) and Vicenzo Sportelli and Patrizia Amoretti (Alternate Auditors) were drawn from the list submitted by the shareholder Calt 2004 Srl, which holds 30.08% of the Company's share capital, and voted for by the majority of shareholders who attended the meeting.

In addition, on proposal of the shareholder Calt 2004 Srl, which holds 30.08% of the Company's share capital, Roberta Neri was appointed to replace the outgoing Riccardo Nicolini as director. Ms. Neri will remain in office for the duration of the term in office of the current Board of Directors and therefore until the date called for the approval of the financial statements as at 31 December 2017.
At the meeting of 11 May 2017, the Board appointed Paolo Zugaro as General Manager of the company and also reappointed Massimo Sala to serve again in 2017 as the manager responsible for financial reporting. In accordance with the current Corporate Governance Code, at the same meeting, the Board of Directors verified that the directors qualified as independents (Paolo Di Benedetto, Veronica De Romanis and Chiara Mancini) met the independence requirements. Ms. Neri has declared her independence pursuant to Legislative Decree 58 of 24 February 1998 (Consolidated Finance Act) as part of the declaration of acceptance of candidacy and appointment to the Board of Directors.
The Supervisory Body appointed pursuant to Legislative Decree 231/2001 for the years 2015–2017 has continued to update and supervise the implementation of the Organisational and Control Model adopted by the Company in accordance with the said decree by resolution of 8 May 2008.
For more detailed information on the corporate governance system and ownership structure of Cementir Holding SpA, see the Corporate Governance and Ownership Report prepared in accordance with article 123-bis of Legislative Decree 58 of 24 February 1998 and published together with the 2017 Directors' Report. The Corporate Governance and Ownership Report is available on the corporate website www.cementirholding.it, in the section Investor Relations>Corporate Governance.
For information on Cementir Holding SpA's remuneration policy refer to the Report on Remuneration, which is available at the registered office and on the corporate website www.cementirholding.it and provides complete disclosure of remuneration policy. The report has been prepared in accordance with article 123-ter of Legislative Decree 58 of 24 February 1998 and discloses information about the Company's remuneration

policy for directors and statutory auditors, fees paid to directors and statutory auditors and equity interests held by them.

**Organisation and Control Model pursuant to Legislative Decree 231/2001**

Following a careful analysis of the risks of committing offences in connection with the activities of the Company, the Board of Directors of Cementir Holding SpA approved an Organisational and Control Model on 8 May 2008 that is in line with the principles set out in Legislative Decree 231/2001, national best practices and Confindustria instructions.

Specifically, Cementir Holding SpA has adopted a Code of Conduct endorsing the business principles that all company officers and employees, and anyone working with the company in any capacity, are required to comply with, in pursuing company business.

The Supervisory Body – its members renewed for the years 2015–2017 pursuant to Legislative Decree 231/2001 – has continued its task of updating and supervising the implementation of the Organisational and Control Model adopted by the Company.

The Model has been updated periodically since 2008 to incorporate the organisational changes affecting the Company and the Group, as well as regulatory updates (new offences) under Decree 231. The latest version of the model was approved by the Board of Directors of the Company on 27 July 2017.

**Management and coordination**

Cementir Holding SpA is not managed or coordinated by another company, as it sets its general and operating strategies independently. The company's Board of Directors has sole responsibility for reviewing and approving of strategic, business and financial plans and overseeing the suitability of organisational, administrative and accounting structures.

As such, the conditions indicated in article 37 of Consob Market Regulation No. 16191/2007 do not exist.

**Exceptions to disclosure obligations of information documents for significant extraordinary transactions**

Pursuant to art. 70, paragraph 8, and art. 71, paragraph 1-bis of Consob Issuers' Regulations, on 31 January 2013 the Board of Directors of Cementir Holding SpA resolved to exercise the power to depart from the requirements on the disclosure of the prescribed information documents in the event of significant mergers, demergers, capital increases through contributions in kind, acquisitions and disposals.

**Protection of personal data pursuant to Legislative Decree 196/2003**

The company ensures the protection of personal data in accordance with laws in force. By repealing article 34.g.1/1-bis of Legislative Decree No. 196/2003 (Data Protection Code), Article 45(c) of Law Decree No. 5 of 9 February 2012 (the "Simplification Decree") removed the obligation to prepare a data protection statement by 31 March of each year. The amendment resulted in the elimination of the offence under Article 169 and the sanctions set out in Article 162.2 Legislative Decree 196/2003 for failure to adopt said document.

Ahead of the entry into force of Regulation EU 679/2016 on the protection of personal data ("General Data Protection Regulation" or "GDPR"), the Company launched a Group-wide project in 2017 to ensure compliance with the new legislation, which will come into force in May 2018.

## EVENTS AFTER THE REPORTING PERIOD

On **2 January 2018**, Cementir Holding SpA finalised the sale of 100% of the share capital of Cementir Italia S.p.A., including its wholly-owned subsidiaries Cementir Sacci SpA and Betontir SpA, to Italcementi SpA, a wholly-owned subsidiary of HeidelbergCement AG.

The deal – which was announced on 19 September 2017 and was subject to approval by the Italian Antitrust Authority – took place on 20 November 2017.

The enterprise value of the transaction was EUR 315 million on a cash and debt-free basis and the amount was received in full on 2 January 2018.

On **7 February 2018** Facility A (Term Loan) was repaid for EUR 194.7 million.

Furthermore, on **14 February 2018**, an agreement was signed between the US subsidiary Aalborg Cement Company Inc and Lehigh Cement Company LLC, a subsidiary of HeidelbergCement AG, for the acquisition of a further 38.75% of Lehigh White Cement Company (“LWCC”), which is the leading producer and distributor of white cement in the United States, for a total of USD 106.6 million dollars, on a cash and debt-free basis.

As a result of this transaction, the Cementir group will take control of LWCC by holding a stake of 63.25%, while the remaining 36.75% will be held by CEMEX Inc.

The transaction should be finalised by the end of March 2018, subject to the usual conditions. Authorisation from the Antitrust Authority has already been obtained.

LWCC owns two plants for the production of white cement located in Waco (Texas) and York (Pennsylvania), with a total production capacity of around 255,000 tons per year, operating through a distribution network in the United States that enables it to sell white cement imported from its owners across North America. In 2017, LWCC generated revenue of approximately USD 149 million and EBITDA of approximately USD 26 million, with a total of 140 employees.

The acquisition will be financed by available cash and credit facilities.

## BUSINESS OUTLOOK

In 2017 the Group proceeded to integrate the CCB Group and continued to pursue initiatives to improve efficiency, in line with trends in the reference markets.

In 2018, the Group will be working on the integration of Lehigh White Cement Company.

With the new scope of consolidation (thus excluding the Italian companies sold and including the contribution of Lehigh White Cement Company), the Group expects to record consolidated revenue of about EUR 1.25 billion and EBITDA of around EUR 235 million, including Lehigh White Cement Company's contribution of approximately EUR 10 million from the second quarter of 2018.

These forecasts were drawn up assuming a depreciation of exchange rates, in particular of the Egyptian pound and the Turkish lira.

Net financial debt is expected to be EUR 260 million at the end of 2018, after capital expenditure of about EUR 80 million, the payment of USD 106.6 million for the acquisition of LWCC and the collection of the payment for the sale of 100% of the share capital of Cementir Italia SpA.

**PROPOSALS FOR THE ALLOCATION OF THE LOSS FOR 2017 OF CEMENTIR HOLDING SPA**

The Board of Directors proposes that the shareholders:

AT THEIR ORDINARY MEETING:

- approve the Directors' report on the year 2017 and the financial statements as at 31 December 2017;
- cover the loss for the year of EUR 123,242,525, with EUR 21,332,162 from negative goodwill and to carry forward the remaining loss of EUR 101,910,363, notwithstanding subsequent resolutions adopted during the extraordinary meeting.

AT THEIR EXTRAORDINARY MEETING:

- cover the remaining loss for the year of EUR 101,910,363 by using the full revaluation reserve as per Law No. 266 / 2005 for EUR 4,178,091 and the full revaluation reserve pursuant to Law 342/2000 (2000 and 2003) for EUR 97,732,272;
- not replenish the revaluation reserve pursuant to Law 266/2005 and therefore permanently reduce it by the EUR 4,178,091 used to cover the loss;
- not replenish the revaluation reserve pursuant to Law 342/2000 (years 2000 and 2003) and therefore permanently reduce it by the EUR 97,732,272 used to cover the loss.

AT THEIR ORDINARY MEETING:

- grant shareholders dividends totalling EUR 15,912,000 at EUR 0.10 per ordinary share, using retained earnings for this purpose.

Rome, 8 March 2018

Chairman of the Board of Directors
Francesco Caltagirone Jr.
(signed on the original)

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# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

## CONSOLIDATED FINANCIAL STATEMENTS

| Consolidated statement of financial position* | | | |
|---|---|---|---|
| (EUR '000) | Note | **31 December 2017** | **31 December 2016[1]** |
| **ASSETS** | | | |
| Intangible assets with a finite useful life | 1 | 128,462 | 124,641 |
| Intangible assets with an indefinite useful life | 2 | 346,641 | 375,142 |
| Property, plant and equipment | 3 | 759,840 | 1,039,469 |
| Investment property | 4 | 95,094 | 98,823 |
| Equity-accounted investments | 5 | 22,470 | 22,893 |
| Available-for-sale equity investments | 6 | 221 | 571 |
| Non-current financial assets | 9 | 2,176 | 2,970 |
| Deferred tax assets | 20 | 33,778 | 80,870 |
| Other non-current assets | 11 | 8,296 | 11,075 |
| **TOTAL NON-CURRENT ASSETS** | | **1,396,978** | **1,756,454** |
| Inventories | 7 | 126,727 | 163,822 |
| Trade receivables | 8 | 160,629 | 236,498 |
| Current financial assets | 9 | 1,067 | 3,491 |
| Current tax assets | 10 | 7,060 | 8,368 |
| Other current assets | 11 | 18,511 | 48,517 |
| Cash and cash equivalents | 12 | 214,528 | 244,025 |
| **TOTAL CURRENT ASSETS** | | **528,522** | **704,721** |
| **ASSETS HELD FOR SALE** | | **431,829** | **-** |
| **TOTAL ASSETS** | | **2,357,329** | **2,461,175** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | | 159,120 | 159,120 |
| Share premium reserve | | 35,710 | 35,710 |
| Other reserves | | 689,887 | 730,597 |
| Profit attributable to the owners of the parent | | 71,471 | 67,270 |
| **Equity attributable to the owners of the parent** | 13 | **956,188** | **992,697** |
| Profit attributable to non-controlling interests | | 53,775 | 49,527 |
| Reserves attributable to non-controlling interests | | 5,695 | 18,079 |
| **Equity attributable to non-controlling interests** | 13 | **59,470** | **67,606** |
| **TOTAL EQUITY** | | **1,015,658** | **1,060,303** |
| Employee benefits | 14 | 34,598 | 41,520 |
| Non-current provisions | 15 | 29,426 | 35,267 |
| Non-current financial liabilities | 17 | 696,090 | 744,606 |
| Deferred tax liabilities | 20 | 127,544 | 154,240 |
| Other non-current liabilities | 19 | 5,020 | 10,084 |
| **TOTAL NON-CURRENT LIABILITIES** | | **892,678** | **985,717** |
| Current provisions | 15 | 2,869 | 3,484 |
| Trade payables | 16 | 204,204 | 263,443 |
| Current financial liabilities | 17 | 62,776 | 65,349 |
| Current tax liabilities | 18 | 16,420 | 16,769 |
| Other current liabilities | 19 | 44,850 | 66,110 |
| **TOTAL CURRENT LIABILITIES** | | **331,119** | **415,155** |
| **LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE** | | **117,874** | **-** |
| **TOTAL LIABILITIES** | | **1,341,671** | **1,400,872** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,357,329** | **2,461,175** |

* Pursuant to Consob resolution No. 15519 of 27 July 2006, information about related party transactions is disclosed in the notes to the consolidated financial statements and the following tables.

[1] The figures as at 31 December 2016 have been restated following the completion of the purchase price allocation in 2017, following the acquisition of CCB group, which has been consolidated since 25 October 2016.

**Consolidated income statement***

| (EUR '000) | Note | 2017 | 2016[2] |
|---|---|---|---|
| **REVENUE** | 21 | **1,140,006** | **925,806** |
| Change in inventories | 7 | 623 | 986 |
| Increase for internal work | 22 | 7,344 | 7,660 |
| Other operating revenue | 22 | 22,071 | 24,395 |
| **TOTAL OPERATING REVENUE** | | **1,170,044** | **958,847** |
| Raw materials costs | 23 | (444,161) | (369,611) |
| Personnel costs | 24 | (174,748) | (139,619) |
| Other operating costs | 25 | (328,438) | (241,115) |
| **TOTAL OPERATING COSTS** | | **(947,347)** | **(750,345)** |
| **EBITDA** | | **222,697** | **208,502** |
| Amortisation and depreciation | 26 | (72,590) | (62,094) |
| Provisions | 26 | (3,865) | (3,158) |
| Impairment losses | 26 | (5,677) | (7,684) |
| Total amortisation, depreciation, impairment losses and provisions | | (82,132) | (72,936) |
| **EBIT** | | **140,565** | **135,566** |
| Share of net profits of equity-accounted investees | 27 | 4,785 | 5,127 |
| Financial income | 27 | 13,468 | 3,412 |
| Financial expense | 27 | (26,916) | (16,289) |
| Net exchange rate gains (losses) | 27 | (5,249) | 32,016 |
| Net financial income (expense) | | (18,697) | 19,139 |
| **NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEES** | | **(13,912)** | **24,266** |
| **PROFIT BEFORE TAXES** | | **126,653** | **159,832** |
| Income taxes | 28 | (16,393) | (40,891) |
| **PROFIT FROM CONTINUING OPERATIONS** | | **110,260** | **118,941** |
| **LOSS FROM DISCONTINUED OPERATIONS** | | **(33,094)** | **(33,592)** |
| **PROFIT FOR THE YEAR** | | **77,166** | **85,349** |
| Attributable to: | | | |
| Non-controlling interests | | 5,695 | 18,079 |
| **Owners of the parent** | | **71,471** | **67,270** |
| (EUR) | | | |
| **Basic earnings per share** | 29 | **0.449** | **0.423** |
| **Diluted earnings per share** | 29 | **0.449** | **0.423** |

* Pursuant to Consob resolution No. 15519 of 27 July 2006, information about related party transactions is disclosed in the notes to the consolidated financial statements and the following tables.

[2] The 2016 figures have been restated following the reclassification of the amounts relating to the Italian operating companies held for sale to "Loss from discontinued operations".

## Consolidated statement of comprehensive income

| (EUR '000) | Note | 2017 | 2016 |
|---|---|---|---|
| **PROFIT FOR THE YEAR** | | **77,166** | **85,349** |
| **Other comprehensive income (expense):** | | | |
| ***Items that will never be reclassified to profit or loss:*** | | | |
| Net actuarial gains (losses) on post-employment benefits | 30 | (3,123) | 999 |
| Taxes recognised in equity | 30 | (226) | (243) |
| Net actuarial gains on post-employment benefits from discontinued operations | | 149 | 185 |
| Taxes recognised in equity from discontinued operations | | (41) | (55) |
| **Total items that will never be reclassified to profit or loss** | | **(3,241)** | **886** |
| ***Items that may be reclassified to profit or loss:*** | | | |
| Net exchange rate losses on translation of foreign operations | 30 | (91,409) | (144,253) |
| Financial instruments | | (1,598) | - |
| Taxes recognised in equity | | 472 | - |
| **Total items that may be reclassified to profit or loss** | | **(92,535)** | **(144,253)** |
| **Other comprehensive expense** | | **(95,776)** | **(143,367)** |
| **COMPREHENSIVE EXPENSE** | | **(18,610)** | **(58,018)** |
| Attributable to: | | | |
| Non-controlling interests | | 7,862 | (17,997) |
| **Owners of the parent** | | **(26,472)** | **(40,021)** |

## Consolidated statement of changes in equity

| (EUR '000) | Share capital | Share premium reserve | Other reserves | | | Profit attributable to the owners of the parent | **Equity attributable to the owners of the parent** | Profit attributable to non-controlling interests | Reserves attributable to non-controlling interests | **Equity attributable to non-controlling interests** | **Total Equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Legal reserve | Translation reserve | Other reserves | | | | | | |
| **Equity at 1 January 2016** | **159,120** | **35,710** | **31,825** | **(298,690)** | **1,053,228** | **67,477** | **1,048,670** | **7,624** | **74,811** | **82,435** | **1,131,105** |
| Allocation of 2015 profit | | | | | 67,477 | (67,477) | - | (7,624) | 7,624 | - | - |
| Distribution of 2015 dividends | | | | | (15,912) | | (15,912) | | (1,387) | (1,387) | (17,299) |
| Other changes | | | | | | | - | | 4,869 | **4,869** | 4,869 |
| **Total owner transactions** | **-** | **-** | **-** | **-** | **51,565** | **(67,477)** | **(15,912)** | **(7,624)** | **11,106** | **3,482** | **(12,430)** |
| Change in translation reserve | | | | (108,016) | | | **(108,016)** | | (36,237) | (36,237) | **(144,253)** |
| Net actuarial gains (losses) | | | | | 725 | | **725** | | 161 | 161 | **886** |
| **Other comprehensive expense** | **-** | **-** | **-** | **(108,016)** | **725** | **-** | **(107,291)** | **-** | **(36,076)** | **(36,076)** | **(143,367)** |
| Change in other reserves | | | | | (40) | | (40) | | (314) | (314) | **(354)** |
| **Total other transactions** | **-** | **-** | **-** | **-** | **(40)** | **-** | **(40)** | **-** | **(314)** | **(314)** | **(354)** |
| Profit for the year | | | | | | 67,270 | **67,270** | 18,079 | | **18,079** | **85,349** |
| **Equity at 31 December 2016** | **159,120** | **35,710** | **31,825** | **(406,706)** | **1,105,478** | **67,270** | **992,697** | **18,079** | **49,527** | **67,606** | **1,060,303** |

| (EUR '000) | Share capital | Share premium reserve | Other reserves | | | Profit attributable to the owners of the parent | **Equity attributable to the owners of the parent** | Profit attributable to non-controlling interests | Reserves attributable to non-controlling interests | **Equity attributable to non-controlling interests** | **Total Equity** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Legal reserve | Translation reserve | Other reserves | | | | | | |
| **Equity at 1 January 2017** | **159,120** | **35,710** | **31,825** | **(406,706)** | **1,105,478** | **67,270** | **992,697** | **18,079** | **49,527** | **67,606** | **1,060,303** |
| Allocation of 2016 profit | | | | | 67,270 | (67,270) | - | (18,079) | 18,079 | - | - |
| Distribution of 2016 dividends | | | | | (15,912) | | (15,912) | | (1,236) | (1,236) | (17,148) |
| Other changes | | | | | 7,194 | | 7,194 | | (14,737) | **(14,737)** | (7,543) |
| **Total owner transactions** | **-** | **-** | **-** | **-** | **58,552** | **(67,270)** | **(8,718)** | **(18,079)** | **2,106** | **(15,973)** | **(24,691)** |
| Change in translation reserve | | | | (93,763) | | | **(93,763)** | | 2,354 | 2,354 | **(91,409)** |
| Net actuarial gains (losses) | | | | | (3,054) | | **(3,054)** | | (187) | (187) | **(3,241)** |
| Change in fair value of financial instruments | | | | | (1,126) | | **(1,126)** | | | | **(1,126)** |
| **Other comprehensive expense** | **-** | **-** | **-** | **(93,763)** | **(4,180)** | **-** | **(97,943)** | **-** | **2,167** | **2,167** | **(95,776)** |
| Change in other reserves | | | | | (1,319) | | (1,319) | | (25) | (25) | **(1,344)** |
| **Total other transactions** | **-** | **-** | **-** | **-** | **(1,319)** | **-** | **(1,319)** | **-** | **(25)** | **(25)** | **(1,344)** |
| Profit for the year | | | | | | 71,471 | **71,471** | 5,695 | | **5,695** | **77,166** |
| **Equity at 31 December 2017** | **159,120** | **35,710** | **31,825** | **(500,469)** | **1,158,531** | **71,471** | **956,188** | **5,695** | **53,775** | **59,470** | **1,015,658** |

## Consolidated statement of cash flows

| (EUR '000) | Note | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| **Profit for the year** | | **77,166** | **85,349** |
| Amortisation and depreciation | | 95,133 | 84,164 |
| Net reversals of impairment losses | | (4,389) | (4,217) |
| Share of net profits of equity-accounted investees | | (4,785) | (5,127) |
| Net financial income (expense) | | 19,142 | (18,809) |
| (Gains) losses on disposals | | (1,810) | (2,087) |
| Income taxes | | 8,241 | 33,246 |
| Change in employee benefits | | (4,247) | (3,202) |
| Change in provisions (current and non-current) | | 10,069 | 5,594 |
| **Operating cash flows before changes in working capital** | | **194,520** | **174,911** |
| (Increase) decrease in inventories | | (8,220) | (315) |
| (Increase) decrease in trade receivables | | 15,387 | (8,247) |
| Increase (decrease) in trade payables | | 5,840 | 41,422 |
| Change in other non-current and current assets and liabilities | | (9,380) | (1,096) |
| Change in current and deferred taxes | | 16,930 | (5,456) |
| **Operating cash flows** | | **215,077** | **201,219** |
| Dividends collected | | 3,062 | 6,371 |
| Interest collected | | 3,930 | 2,681 |
| Interest paid | | (19,445) | (9,123) |
| Other income (expense) collected (paid) | | (5,225) | (7,674) |
| Income taxes paid | | (38,880) | (35,267) |
| **CASH FLOWS FROM OPERATING ACTIVITIES (A)** | | **158,519** | **158,207** |
| Investments in intangible assets | | (18,819) | (4,640) |
| Investments in property, plant and equipment | | (72,270) | (62,584) |
| Investments in equity investments and other non-current securities | | (4,239) | (400,032) |
| Proceeds from the sale of intangible assets | | 529 | - |
| Proceeds from the sale of property, plant and equipment | | 3,963 | 1,822 |
| Proceeds from the sale of equity investments and non-current securities | | - | - |
| Change in non-current financial assets | | 594 | (2,131) |
| Change in current financial assets | | 4,096 | 572 |
| Other changes in investing activities | | (786) | - |
| **CASH FLOWS USED IN INVESTING ACTIVITIES (B)** | | **(86,933)** | **(466,993)** |
| Change in non-current financial liabilities | | (48,516) | 509,314 |
| Change in current financial liabilities | | 18,195 | (66,184) |
| Dividends distributed | | (17,156) | (17,275) |
| Other changes in equity | | (14,219) | (6,276) |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)** | | **(61,696)** | **419,579** |
| **NET EXCHANGE RATE LOSSES ON CASH AND CASH EQUIVALENTS (D)** | | **(13,444)** | **(3,536)** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | | **(3,554)** | **107,257** |
| **Opening cash and cash equivalents** | 12 | **244,025** | **136,768** |
| **Closing cash and cash equivalents** | 12 | **240,471** | **244,025** |

## Consolidated statement of financial position

pursuant to Consob Resolution No. 15519 of 27 July 2006

| (EUR '000) | Note | 31 December 2017 Total | 31 December 2017 of which with related parties | 31 December 2016[1] Total | 31 December 2016[1] of which with related parties |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Intangible assets with a finite useful life | 1 | 128,462 | - | 124,641 | - |
| Intangible assets with an indefinite useful life | 2 | 346,641 | - | 375,142 | - |
| Property, plant and equipment | 3 | 759,840 | - | 1,039,469 | - |
| Investment property | 4 | 95,094 | - | 98,823 | - |
| Equity-accounted investments | 5 | 22,470 | - | 22,893 | - |
| Available-for-sale equity investments | 6 | 221 | - | 571 | - |
| Non-current financial assets | 9 | 2,176 | - | 2,970 | - |
| Deferred tax assets | 20 | 33,778 | - | 80,870 | - |
| Other non-current assets | 11 | 8,296 | - | 11,075 | 2,713 |
| **TOTAL NON-CURRENT ASSETS** | | **1,396,978** | - | **1,756,454** | - |
| Inventories | 7 | 126,727 | - | 163,822 | - |
| Trade receivables | 8 | 160,629 | 5,983 | 236,498 | 6,946 |
| Current financial assets | 9 | 1,067 | - | 3,491 | - |
| Current tax assets | 10 | 7,060 | - | 8,368 | - |
| Other current assets | 11 | 18,511 | - | 48,517 | 3,672 |
| Cash and cash equivalents | 12 | 214,528 | | 244,025 | |
| **TOTAL CURRENT ASSETS** | | **528,522** | - | **704,721** | - |
| **ASSETS HELD FOR SALE** | | **431,829** | - | **-** | |
| **TOTAL ASSETS** | | **2,357,329** | - | **2,461,175** | - |
| **EQUITY AND LIABILITIES** | | | - | | |
| Share capital | | 159,120 | - | 159,120 | - |
| Share premium reserve | | 35,710 | - | 35,710 | - |
| Other reserves | | 689,887 | - | 730,597 | - |
| Profit attributable to the owners of the parent | | 71,471 | - | 67,270 | - |
| **Equity attributable to the owners of the parent** | 13 | **956,188** | - | **992,697** | - |
| Profit attributable to non-controlling interests | | 53,775 | - | 49,527 | - |
| Reserves attributable to non-controlling interests | | 5,695 | - | 18,079 | - |
| **Equity attributable to non-controlling interests** | 13 | **59,470** | - | **67,606** | - |
| **TOTAL EQUITY** | | **1,015,658** | - | **1,060,303** | - |
| Employee benefits | 14 | 34,598 | - | 41,520 | - |
| Non-current provisions | 15 | 29,426 | - | 35,267 | - |
| Non-current financial liabilities | 17 | 696,090 | - | 744,606 | - |
| Deferred tax liabilities | 20 | 127,544 | - | 154,240 | - |
| Other non-current liabilities | 19 | 5,020 | - | 10,084 | 1,718 |
| **TOTAL NON-CURRENT LIABILITIES** | | **892,678** | - | **985,717** | - |
| Current provisions | 15 | 2,869 | - | 3,484 | - |
| Trade payables | 16 | 204,204 | 58 | 263,443 | 270 |
| Current financial liabilities | 17 | 62,776 | | 65,349 | |
| Current tax liabilities | 18 | 16,420 | - | 16,769 | - |
| Other current liabilities | 19 | 44,850 | 58 | 66,110 | - |
| **TOTAL CURRENT LIABILITIES** | | **331,119** | - | **415,155** | - |
| **LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE** | | **117,874** | - | **-** | |
| **TOTAL LIABILITIES** | | **1,341,671** | - | **1,400,872** | - |
| **TOTAL EQUITY AND LIABILITIES** | | **2,357,329** | - | **2,461,175** | - |

[1]The figures as at 31 December 2016 have been restated following the completion of the purchase price allocation in 2017, following the acquisition of CCB group, which has been consolidated since 25 October 2016.

## Consolidated income statement

pursuant to Consob Resolution No. 15519 of 27 July 2006

| (EUR '000) | Note | 2017 Total | 2017 of which with related parties | 2016[2] Total | 2016[2] of which with related parties |
|---|---|---|---|---|---|
| **REVENUE** | 21 | **1,140,006** | **21,002** | **925,806** | **18,899** |
| Change in inventories | 7 | 623 | - | 986 | - |
| Increase for internal work | 22 | 7,344 | - | 7,660 | - |
| Other operating revenue | 22 | 22,071 | 38 | 24,395 | 981 |
| **TOTAL OPERATING REVENUE** | | **1,170,044** | - | **958,847** | - |
| Raw materials costs | 23 | (444,161) | - | (369,611) | - |
| Personnel costs | 24 | (174,748) | - | (139,619) | - |
| Other operating costs | 25 | (328,438) | (680) | (241,115) | (666) |
| **TOTAL OPERATING COSTS** | | **(947,347)** | - | **(750,345)** | - |
| **EBITDA** | | **222,697** | - | **208,502** | - |
| Amortisation and depreciation | 26 | (72,590) | - | (62,094) | - |
| Provisions | 26 | (3,865) | - | (3,158) | - |
| Impairment losses | 26 | (5,677) | - | (7,684) | - |
| Total amortisation, depreciation, impairment losses and provisions | | (82,132) | - | (72,936) | - |
| **EBIT** | | **140.5654** | - | **135,566** | - |
| Share of net profits of equity-accounted investees | 27 | 4,785 | - | 5,127 | - |
| Financial income | 27 | 13,468 | 16 | 3,412 | 22 |
| Financial expense | 27 | (26,916) | | (16,289) | (652) |
| Net exchange rate gains (losses) | 27 | (5,249) | - | 32,016 | - |
| Net financial income (expense) | | (18,697) | - | 19,139 | - |
| **NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED** | | **(13,912)** | - | **24,266** | - |
| **PROFIT BEFORE TAXES** | | **126,653** | - | **159,832** | - |
| Income taxes | 28 | (16,393) | - | (40,891) | - |
| **PROFIT ROM CONTINUING OPERATIONS** | | **110,260** | - | **118,941** | - |
| **LOSS FROM DISCONTINUED OPERATIONS** | | **(33,094)** | - | **(33,592)** | |
| **PROFIT FOR THE YEAR** | | **77,166** | - | **85,349** | - |
| Attributable to: | | | | | |
| Non-controlling interests | | 5,695 | - | 18,079 | - |
| **Owners of the parent** | | **71,471** | - | **67,270** | - |
| (EUR) | | | | | |
| **Basic earnings per share** | 29 | **0.449** | | **0.423** | |
| **Diluted earnings per share** | 29 | **0.449** | | **0.423** | |

[1] The 2016 figures have been restated following the reclassification of the amounts relating to the Italian operating companies held for sale to "Loss from discontinued operations".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### General information

Cementir Holding SpA (the "parent"), a company limited by shares with registered office in Corso di Francia 200, Rome, Italy, and its subsidiaries make up the Cementir Holding Group (the "Group"), mainly active in the cement and ready-mixed concrete sector in Italy and around the world.

Based on the shareholder register, the communications received pursuant to article 120 of Legislative Decree 58 of 24 February 1998 and other available information, the following are the shareholders with an investment of more than 2% in the parent's share capital at 31 December 2017:

1) Francesco Gaetano Caltagirone 104,865,464 shares (65.903%). The shareholding is held as follows:
    - Direct ownership of 1,327,560 shares (0.834%)
    - Indirect ownership through the companies:
        - Calt 2004 Srl – 47,860,813 shares (30.078%)
        - Caltagirone SpA 21,602,321 shares (13.576%)
        - FGC Finanziaria Srl – 16,529,826 shares (10.388%)
        - Gamma Srl – 5,575,220 shares (3.504%)
        - Pantheon 2000 SpA – 4,466,928 shares (2.807%)
        - Ical 2 SpA – 2,614,300 shares (1.643%)
        - Capitolium SpA – 2,448,441 shares (1.539%)
        - Vianini Lavori SpA – 2,440,055 shares (1.533%)
2) Francesco Caltagirone 8,270,299 shares (5.198%). The shareholding is held as follows:
    - Direct ownership of 2,520,299 shares (1.584%)
    - Indirect ownership through the company Chupas 2007 Srl 5,750,000 shares (3.614%).

On 8 March 2017, the Board of Directors approved these consolidated financial statements at 31 December 2017 and authorised their publication.

Cementir Holding SpA is included in the consolidated financial statements of the Caltagirone Group. At the date of preparation of these consolidated financial statements, the ultimate parent is FGC SpA due to the shares held via its subsidiaries.

The consolidated financial statements at 31 December 2017 include the financial statements of the parent and its subsidiaries. The financial statements of the individual companies at the same date prepared by their directors were used for the consolidation.

### Statement of compliance with the IFRS

These consolidated financial statements at 31 December 2017, drawn up on a going concern basis for the parent and the subsidiaries, have been prepared pursuant to articles 2 and 3 of Legislative Decree 38/2005 and the International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission and in force at the reporting date, as well as the previous International Accounting Standards (IAS). For simplicity purposes, all these standards and interpretations are referred to herein as “IFRS”. Reference was also made to article 9 of Legislative Decree 38 of 28 February 2005, the provisions of the Italian Civil Code, CONSOB (Italian Securities and Exchange Commission) resolutions 15519 (“Instructions for financial statements implementing article 9.3 of Legislative Decree 38/2005”) and 15520 (“Amendments and additions to the regulation implementing Legislative Decree 58/1998”), both dated 27 July 2006, and CONSOB Communication No. DEM/6064293 of 28 July 2006 (“Corporate disclosures of listed issuers and issuers with financial instruments traded on the market as per article 116 of the Consolidated Finance Act”).

### Basis of presentation

The consolidated financial statements at 31 December 2017 are presented in Euros, the parent’s functional currency. All amounts are expressed in thousands of Euros, unless indicated otherwise. The consolidated financial statements consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The Group has opted to present these statements as follows:

- the statement of financial position presents current and non-current assets and liabilities separately;
- the income statement classifies costs by nature;
- the statement of comprehensive income presents the effect of gains and losses recognised directly in equity, starting from the profit or loss for the year;
- the statement of changes in equity is presented using the changes in equity method;
- the statement of cash flows is presented using the indirect method.

The general criterion adopted is the historical cost method, except for captions recognised and measured at fair value based on specific IFRS, as described below in the section on accounting policies.

The IFRS have been applied consistently with the guidance provided in the Framework for the Preparation and Presentation of Financial Statements. The group was not required to make any departures as per IAS 1.19.

Consob Resolution No. 15519 of 27 July 2006 requires that sub-captions be added in the financial statements, in addition to those specifically requested by IAS 1 and the other standards, when material, so as to show transactions with related parties separately or, in the case of the income statement, profits and losses on non-recurring or unusual transactions.

Assets and liabilities are presented separately and are not netted.

The figures of the statement of financial position as at 31 December 2016 have been restated following the completion of the purchase price allocation in 2017, following the acquisition of CCB group, which has been consolidated since 25 October 2016.

The parent Cementir Holding SpA has also prepared its separate financial statements at 31 December 2017 in accordance with the IFRS, as defined above.

**Assets and liabilities held for sale**

On 2 January 2018, Cementir Holding S.p.A. finalised the sale of 100% of the share capital of Cementir Italia S.p.A., including its wholly-owned subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A. (Cementir Italia group) to Italcementi S.p.A., a wholly-owned subsidiary of HeidelbergCement AG.

The enterprise value of the transaction was EUR 315 million on a cash and debt-free basis and the amount was received in full on that date. The price shall be adjusted in line with the terms of the transfer agreement.

In compliance with IFRS 5, the consolidated financial statements at 31 December 2017 present the amounts relating to the financial position and income statement of the Italian companies in the items "Assets held for sale", "Liabilities associated with assets held for sale" and "Loss from discontinued operations". In order to make the income statement figures comparable, the comparative figures for 2016 have been reclassified to the item "Loss from discontinued operations".

The following tables show the contribution of the Cementir Italia group held for sale:

**Income Statement**

| (EUR '000) | **2017** | **2016** |
|---|---|---|
| **TOTAL OPERATING REVENUE** | 158,752 | 109,552 |
| **TOTAL OPERATING COSTS** | (162,372) | (120,228) |
| **EBITDA** | **(3,620)** | **(10,676)** |
| Total amortisation, depreciation, impairment losses and provisions | (36,995) | (30,231) |
| **EBIT** | **(40,615)** | **(40,907)** |
| **NET FINANCIAL INCOME (EXPENSE)**<br>**SHARE OF NET PROFITS OF EQUITY-ACCOUNTED** | (630) | (330) |
| **LOSS BEFORE TAXES** | **(41,245)** | **(41,237)** |
| Income taxes | 8,151 | 7,645 |
| **LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX** | **(33,094)** | **(33,592)** |

**Statement of cash flows**

| (EUR '000) | **31 December 2017** | **31 December 2016** |
|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES (A)** | **(12,743)** | **(17,847)** |
| **CASH FLOWS USED IN INVESTING ACTIVITIES (B)** | **(5,349)** | **(119,575)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES (C)** | **14,037** | **161,984** |
| **NET EXCHANGE RATE GAINS (LOSSES) ON CASH AND CASH EQUIVALENTS (D)** | **-** | **-** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)** | **(4,055)** | **24,562** |
| **OPENING CASH AND CASH EQUIVALENTS** | **29,998** | **5,436** |
| **CLOSING CASH AND CASH EQUIVALENTS** | **25,943** | **29,998** |

**Statement of financial position**

| (EUR '000) | **31 December 2017** |
|---|---|
| Intangible assets with a finite useful life | 2,993 |
| Intangible assets with an indefinite useful life | 6,935 |
| Property, plant and equipment | 224,864 |
| Available-for-sale equity investments | 1,543 |
| Non-current financial assets | 200 |
| Deferred tax assets | 50,625 |
| Inventories | 45,511 |
| Trade receivables | 59,478 |
| Current financial assets | 1,025 |
| Current tax assets | 9 |
| Other current assets | 12,702 |
| Cash and cash equivalents | 25,943 |
| **TOTAL ASSETS HELD FOR SALE** | **431,829** |
| | |
| Employee benefits | 5,866 |
| Non-current provisions | 11,404 |
| Deferred tax liabilities | 570 |
| Current provisions | 4,564 |
| Trade payables | 66,014 |
| Current financial liabilities | 20,321 |
| Other current liabilities | 9,135 |
| **TOTAL LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE** | **117,874** |

No fair value gains or losses on the measurement of the net assets of Italian companies were recognised.

**Standards and amendments to standards adopted by the Group**

**a)** Commencing as of 1 January 2017, the Group has adopted the following new accounting standards:

- *"Disclosure initiative Amendments to IAS 7 - Statement of cash flows*". Endorsement by the EU took place on 6 November 2017 through Regulation No. 1990. The amendments introduce new disclosure obligations on changes in liabilities and assets deriving from financing activities.
- "*Amendments to IAS 12 – Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses*". Endorsement by the EU took place on 6 November 2017 through Regulation No. 1989. The amendment clarified how to account for deferred financial assets relative to debt instruments measured at fair value.
- "Annual Improvements to IFRS Standards Cycle 2014-2016". Endorsement by the EU took place on 7 February 2018 through Regulation No. 182. The endorsed amendments, which form an ordinary part of the rationalisation and clarification of the IFRS, relate to the following standards: IFRS 1 - *First-time adoption of IFRS*, IFRS 12 - *Disclosure of interests in other entities* and IAS 28 - *Investments in associates and joint ventures*.
  The amendments to IFRS 12 are applicable starting from annual reporting periods commencing on or after 1 January 2017. The amendments to IFRS 1 and IAS 28 are applicable starting from annual reporting periods commencing on or after 1 January 2018; early application is permitted only as regards IAS 28, but the Group has not pursued this option.

**b)** Standards and interpretations of standards applicable for annual reporting periods starting after 2017 and not early adopted by the Group:

- On 24 July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*. The new standard introduces new classification, measurement and derecognition requirements, a new impairment model and a reformed approach to hedge accounting, completing the IASB's project to replace IAS 39. The final version of the standard replaces all earlier versions of IFRS 9. The IASB began the IFRS 9 project in 2008; the project involved a series of phases. In 2009, a first version of IFRS 9 was published, which introduced new classification and measurement requirements for financial assets; classification and measurement requirements for financial liabilities and derecognition rules were added in 2010. IFRS 9 was then amended in 2013 with a reformed model of hedge accounting. In September 2015, the EFRAG completed its due process for the issue of its endorsement advice, which was then submitted to the European Commission. This document, endorsed by the European Union with Regulation No. 2067 of 29 November 2016, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted.

- On 28 May 2014, the IASB published IFRS 15 – *Revenue from Contracts with Customers*. The standard provides a single and comprehensive framework for recording revenue and sets out how to treat all contracts with customers (except contracts covered by the standards on leasing, insurance contracts and financial instruments). IFRS 15 replaces the previous standards on revenue: IAS 18 Revenue and IAS 11 Construction Contracts, as well as the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard identifies criteria for recognising revenue from the sale of goods or the provision of services based on the "five-step model framework", and requires that useful information be provided in the notes to the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. On 11 September 2015, the IASB published the Amendment to IFRS 15 that deferred the entry into force of the standard by one year to 1 January 2018. This document, endorsed by the European Union with Regulation No. 1905 of 29 October 2016, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted.

  In addition, on 12 April 2016, the IASB published "*Clarifications to IFRS 15 Revenue from Contracts with Customers*". The amendment does not change the content of the standard but clarifies how it should be applied. Specifically, it clarifies (i) how to identify a performance obligation in a contract, (ii) how to determine if an entity is a principal or an agent, and (iii) how to determine the moment when the revenue deriving from the granting of licences should be recognised. This document, endorsed by the European Union with Regulation No. 1987 of 9 November 2017, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted.
- On 13 January 2016, the IASB published the new standard IFRS 16 – *Leases*, which replaces IAS 17. IFRS 16 applies as of 1 January 2019. The standard eliminates de facto the difference in accounting for operating and finance leases, while also simplifying application and introducing the concept of control to the definition of leasing. Specifically, to determine whether a contract is a *lease* or not, IFRS 16 requires verification of whether or not the lessee has the right to control the use of an identified asset for a determined period of time. Early application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. Endorsement by the EU took place on 31 October 2017 through Regulation No. 1986.
- On 20 June 2016, the IASB published a number of amendments to IFRS 2 - *Share-based Payment.* The document "*Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)"* resolves a number of issues relating to the accounting of share-based payments. Specifically, the amendment makes significant improvements to (i) accounting for cash-settled share-based payments, (ii) their classification, and (iii) how to account for the modification of share-based payments from cash-settled to equity-settled. The amendments will become effective as of 1 January 2018. Endorsement by the EU took place on 26 February 2018 through Regulation No. 289.

- On 12 September 2016, the IASB published a number of amendments to IFRS 4 *Insurance Contracts*. The document “*Amendments* to IFRS 4: *Applying* IFRS 9 *Financial Instruments with* IFRS 4 *Insurance Contracts*” aims to address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming insurance contracts Standard. The amendments will become effective as of 1 January 2018. Endorsement by the EU took place on 3 November 2017 through Regulation No. 1988.

With reference to IFRS 15 and IFRS 9, the Group has conducted specific analyses aimed at identifying any accounting effects with respect to the standards applied at 31 December 2017. The analyses carried out did not reveal significant impacts.

**c)** Standards and interpretations to be applied shortly:

At the date of approval of these consolidated financial statements, the IASB has issued certain standards, interpretations and amendments that the European Union has yet to endorse, some of which are still at the discussion stage. They include:

- On 18 May 2017, the IASB published the new standard IFRS 17 – *Insurance Contracts*, which replaces IAS 4. The new standard on insurance contracts aims to increase transparency on the sources and quality of profit and to ensure greater comparability of results, introducing a single standard for revenue recognition that reflects the services provided. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The endorsement process by EFRAG is currently underway.
- On 8 December 2016 the IASB published the interpretation IFRIC 22– “*Foreign Currency Transactions and Advance Consideration*”, to provide clarification on the correct accounting of foreign-currency transactions when payment is made or received in advance. The interpretation clarifies that the transaction date to be used for the conversion is the date on which the entity made or received the advance payment. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018; early application is permitted. Endorsement by the EU is expected in the first quarter of 2018.
- On 7 June 2017, the IASB published the interpretation IFRIC 23 – “Uncertainty over Income Tax Treatments”, which provides guidance on how to reflect uncertainties over income tax treatments when accounting for income tax. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Endorsement by the EU is expected in the third quarter of 2018.

- On 8 December 2016, the IASB published a number of amendments to IAS 40 *Investment Property*. The document "*Amendments* to IAS 40: *Transfers of Investment Property*" aims to clarify aspects relating to the treatment of transfers to, or from, investment properties. Specifically, the amendment clarifies that a transfer should be made only when there has been a change in use of the property. A change in management's intentions for the use of a property by itself is not sufficient for a transfer. The amendments are applicable starting from annual reporting periods commencing on or after 1 January 2018; early application is permitted. Endorsement by the EU is expected in the first quarter of 2018.
- On 12 October 2017, the IASB published a number of amendments to IFRS 9 – Financial Instruments. The document "Prepayment features with Negative Compensation (Amendments to IFRS 9)" aims to amend the requirements of IFRS 9 with reference to the following two situations: (i) financial assets that contain prepayable options with negative compensation can now be managed at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other significant requirements of IFRS 9; (i) new rules are introduced for accounting for a non-substantial modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of fixed-rate financial liabilities. The amendments are applicable starting from annual reporting periods commencing on or after 1 January 2019; early application is permitted. Endorsement by the EU is expected in the first quarter of 2018.
- On 12 October 2017, the IASB published a number of amendments to IAS 28 – *Investments in associates and joint ventures*. The document "Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)" aims to clarify a number of aspects in cases where companies finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future ("Long-Term Interests" or "LTI"). The amendments are applicable starting from annual reporting periods commencing on or after 1 January 2019; early application is permitted. EFRAG is expected to conclude the Endorsement Process in the first quarter of 2018, while endorsement by the EU is forecast in 2018.
- On 12 December 2017, the IAS published "*Annual Improvements to IFRS Standards 2015-2017 Cycle".* The amendments, which form an ordinary part of the rationalisation and clarification of the IFRS, relate to the following standards: (i) IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: The IASB has clarified how to account for the increase of an interest in a joint operation that meets the definition of a business; IAS 12 - *Income Taxes*: the IASB has clarified that the income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the underlying transactions or events that generated the distributable profits (i.e. in profit or loss, OCI or equity); (iii) IAS 23 - Borrowing Costs: the IASB clarified that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings for qualifying assets that are now ready for their intended use are included in that general pool for the purposes of IAS 23. The amendments are applicable starting from annual

reporting periods commencing on or after 1 January 2019; early application is permitted. EFRAG is expected to conclude the Endorsement Process in the first quarter of 2018, while endorsement by the EU is forecast by the end of 2018.

- On 7 February 2018, the IASB published a number of amendments to IAS 19 -Employee Benefits. The document *"Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)"* clarifies a number of accounting aspects relating to the amendment, curtailment or settlement of a defined benefit plan. The amendments are to be applied to amendments to plans, curtailments or transactions as of 1 January 2019, i.e. the date on which they are first applied (early application is permitted). EFRAG is expected to conclude the Endorsement Process in the second quarter of 2018, while endorsement by the EU is forecast in 2018.

The potential impact of the accounting standards, amendments and interpretations to be applied in the future on the Group's financial reports is currently being studied and assessed.

## Basis of consolidation

**Consolidation scope**

A list of the companies included in the scope of consolidation at 31 December 2017 is provided in annex 1.

**Subsidiaries**

The scope of consolidation includes the parent, Cementir Holding SpA, and the companies over which it has direct or indirect control. Subsidiaries subject to direct or indirect control include companies for which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence of potential voting rights is considered when determining whether control exists.

Subsidiaries are consolidated from the date on which control is obtained until when control ceases to exist. The financial statements used for consolidation purposes have a reporting date of 31 December, i.e., the same as that of the consolidated financial statements. They are usually prepared specifically for the purpose and approved by the directors of the individual companies and adjusted, when necessary, to comply with the parent's accounting policies.

**Consolidation criteria**

Subsidiaries are consolidated line-by-line. The criteria adopted for line-by-line consolidation are as follows:

- assets, liabilities, expense and income are consolidated line-by-line, attributing to non-controlling interests (when they exist) their share of equity and profit (loss) for the year, which is presented separately under equity and in the income statement;
- business combinations where the parent acquires control of an entity are recognised using the acquisition method. The purchase cost is given by the fair value of the transferred assets, the liabilities assumed and equity instruments issued as at the acquisition date. The acquired assets, liabilities and contingent liabilities are recognised at fair value as at the date of acquisition. The difference between the

purchase cost and the fair value of the acquired assets and liabilities is recognised as goodwill, if positive, or directly as income in profit or loss, if negative;

- intragroup transactions and balances, including any unrealised profits with third parties arising on transactions with group companies, are eliminated, net of the related tax effect, if material. Unrealised losses are not eliminated if the transaction provides evidence of an impairment of the transferred asset;
- gains or losses on the sale of investments in consolidated companies are recognised in equity attributable to the owners of the parent as owner transactions for the difference between the sales price and the related share of equity sold. If the sale leads to the loss of control and, therefore, the exclusion of the investee from the scope of consolidation, the difference between the sales price and the related share of equity is recognised as a gain or loss in the income statement.

**Interests in joint arrangements**

A joint arrangement is an agreement whereby two or more parties contractually have joint control of an “arrangement”, i.e. when decisions about the relevant activities require the unanimous consent of the parties sharing control.

As regards the method of measurement and recognition in the financial statements, IFRS 11 sets out different approaches for:

- Joint Operations (JO): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- Joint Ventures (JV): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The formulation of IFRS 11 as regards the distinction between JO and JV therefore depends upon the rights and obligations of the co-venturer in the joint arrangement, i.e. the substance of the arrangement and not its legal form.

As regards the presentation in the consolidated financial statements of JVs, IFRS 11 only requires it to be consolidated using the equity method, as described below.

As regards JOs, since the parties to the arrangement share the rights to the assets and assume the obligations for liabilities connected to the agreement, IFRS 11 requires each joint operator to recognise the pro-rata value of its share of the assets, liabilities, revenues and expense of the JO.

**Associates**

Associates are entities over which the Group has significant influence, which is assumed to exist when the investment is between 20% and 50% of the voting rights.

Investments in associates are measured using the equity method and are initially recognised at cost.

The equity method may be described as follows:

- the carrying amount of the investments equals the Group's share of the investees' equity and includes the recognition of any greater value attributable to the assets and liabilities and any goodwill identified at the acquisition date;
- the Group's share of profits or losses is recognised from the date that significant influence, or joint control, commences and until such significant influence or joint control ceases to exist. If an equity-accounted investee has a deficit due to losses, the carrying amount of the investment is cancelled and any remainder attributed to the Group, where the Group has a constructive or legal obligation to cover such losses, is recognised in a specific reserve. Changes in the equity of the equity-accounted investee not related to its profit or loss for the year are offset directly against reserves;
- unrealised material gains and losses on transactions between the parent/subsidiaries and equity-accounted investees are eliminated to the extent of the Group's investment therein; unrealised losses are eliminated, unless they represent an impairment loss.

## Accounting policies

**Intangible assets**

Intangible assets are identifiable, non-monetary assets without physical substance. They are a resource, controlled by an entity, from which future economic benefits are expected to flow. They are recognised at cost, including any directly related costs necessary for the asset to be available for use.

Upon initial recognition, the Group determines the asset's useful life. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group. Useful life is reviewed annually and any changes, if necessary, are applied prospectively.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and the gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of its derecognition.

*Intangible assets with a finite useful life* are recognised net of accumulated amortisation and any impairment losses determined using the methods set out below. Amortisation begins when the asset is available for use and is allocated systematically over its residual useful life. Amortisation is determined in the period in which the intangible asset becomes available for use when it actually becomes available for use.

The estimated useful life of the main items of intangible assets with a finite useful life is reported below:

| | Useful life of intangible assets with a finite useful life |
|---|---|
| - Development expenditure | 5 |
| - Concessions, licences and trademarks | 4-18 |
| - Other intangible assets: | 5-22 |
| Customer list | 15-20 |

*Intangible assets with an indefinite useful life* are those assets for which, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group. They are initially recognised at cost, determined using the same methods indicated above for intangible assets with a finite useful life. They are not amortised but are tested for impairment annually or more frequently, if specific events suggest that they may be impaired, using the methods set out below for goodwill. Any impairment losses are reversed when the reasons therefor no longer exist.

In the case of an acquisition of a subsidiary or associate, the acquired identifiable assets, liabilities and contingent liabilities are recognised at their fair value as at the date of acquisition. Any positive difference between the purchase cost and the Group's share of fair value of these assets and liabilities is recognised as goodwill under intangible assets. Any negative difference (negative goodwill) is recognised in profit or loss at the acquisition date. Goodwill is not amortised after initial recognition but is tested for impairment annually or more frequently whenever there is an indication that it may be impaired. Impairment losses on goodwill are not reversed.

**Property, plant and equipment**

Property, plant and equipment are recognised at their acquisition or construction cost, including directly attributable costs required to make the asset ready for the use for which it was purchased, increased by the present value of the estimated cost of dismantlement or removal of the asset, if the Group has an obligation in this sense.

Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalised as part of the asset's cost until the asset is ready for its intended use or sale.

Ordinary and/or regular maintenance and repair costs are expensed when incurred. Costs to extend, upgrade or improve group-owned assets or assets owned by third parties are capitalised only when they meet the requirements for their separate classification as assets or a part of an asset, using the component approach.

Property, plant and equipment are recognised net of accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually. Any necessary changes to its useful life are applied prospectively. Quarries are depreciated considering the quantities extracted in the period compared to the quantity extractable over the quarry's useful life (extracted/extractible criterion). When the Group has a specific commitment to do so, it recognises a provision for site restoration costs.

The estimated useful life of the main items of property, plant and equipment is reported below:

| | Useful life of property, plant and equipment |
|---|---|
| Quarries | Extracted/extractible |
| Production plants | 10-20 years |
| Other plants (not production): | |
| - Industrial buildings | 18-20 years |
| - Light construction | 10 years |
| - Generic or specific plant | 8 years |
| - Sundry equipment | 4 years |
| - Transport vehicles | 5 years |
| - Office machines and equipment | 5 years |

The above time brackets, which show the minimum and maximum number of years, reflect the existence of components with different useful lives in the same asset category.

Land, whether free of construction or part of civil or industrial buildings, is not depreciated as it has an unlimited useful life.

If the asset to be depreciated consists of separate identifiable components with different useful lives, they are depreciated separately using the component approach.

Property, plant and equipment are derecognised at the time of sale or when no future economic benefits are expected from their use. The related gain or loss (calculated as the difference between the net disposal proceeds and related carrying amount) is recognised in profit or loss in the year of derecognition.

**Investment property**

Investment property held to earn rentals or for capital appreciation is measured at fair value and is not depreciated. Any gain or loss in fair value is recognised in profit or loss.

Fair value is calculated on the basis of the following methods, depending on the type of investment:

- market value approach, based on an analysis of a sample of recent sales of similar properties located in the nearby area. The resulting amount is then adjusted to account for the particular features of the building or land (level 2);
- projection of discounted cash flows based on reliable estimates of future cash flows supported by payments under lease and/or other existing contracts (level 3).

**Impairment losses**

At each reporting date, the Group assesses whether events or changes in circumstances exist suggesting that the carrying amount of intangible assets or property, plant and equipment may not be recovered. If any such indication exists, the Group determines the asset's recoverable amount. If the carrying amount exceeds the recoverable amount, the asset is impaired and written down to reflect its recoverable amount. The recoverable amount of goodwill and other intangible assets with an indefinite life is estimated at each reporting date or whenever changes in circumstances or specific events make it necessary.

The recoverable amount of property, plant and equipment and intangible assets is the higher of their fair value less costs to sell and their value in use, which is the present value of the future cash flows expected to be derived from an asset or a cash-generating unit to which the asset belongs, in the case of assets that do not independently generate largely separate cash flows.

When defining value in use, the future cash flows are discounted using a pre-tax rate that reflects the current market estimate of the time value of money and specific risks of the asset.

Impairment losses are recognised in profit or loss when the carrying amount of the asset or related cash-generating unit (CGU) to which it is allocated is higher than its recoverable amount. Impairment losses on CGUs are firstly used to decrease the carrying amount of any goodwill allocated thereto and subsequently the other assets, in proportion to their carrying amounts. When the reason for an impairment loss on property, plant and equipment and intangible assets other than goodwill no longer exists, the carrying amount of the asset is increased through profit or loss to the carrying amount the asset would have had, had the impairment loss not been recognised and depreciation/amortisation charged.

If the impairment loss is higher than the carrying amount of the tested asset allocated to the CGU to which it belongs, the remaining amount is allocated to the assets included in the CGU in proportion to their carrying amounts. This allocation has as a minimum limit the higher amount of:

- the fair value of the asset, net of costs to sell;
- the value in use, as defined above;
- zero.

Impairment losses are recognised in profit or loss under amortisation, depreciation and impairment losses.

**Discontinued operations and non-current assets held for sale**

Non-current assets (or disposal groups) whose carrying amount will mainly be recovered through their sale instead of through their continuous use are classified as held for sale and presented separately from other assets and liabilities in the balance sheet. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable within one year. If these criteria are met after the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, the entity shall disclose the appropriate information in the notes.

Non-current assets (or disposal groups) classified as held for sale are recognised at the lower of their book value and their fair value, less costs to sell; the corresponding assets and liabilities of the previous year are not reclassified. A discontinued operation is a component of an enterprise that has either been disposed of or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a coordinated plan to dispose of a major line of business or geographical area of operations or is a subsidiary acquired solely for the purpose of being resold.

The profit or loss from discontinued operations – whether disposed of or classified as held for sale and in the process of disposal – are shown separately in the income statement, net of tax effects. The corresponding amounts relating to the previous financial year, if any, are reclassified and shown separately in the income statement, net of tax effects, for comparative purposes.

**Inventories**

Raw materials, semi-finished products and finished goods are recognised at cost and measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and includes any ancillary costs. In order to determine net realisable value, the carrying amount of any obsolete or slow-moving inventories is written down to reflect their future utilisation/net realisation by recognising an allowance for inventory write-down.

**Emission rights**

The IFRS do not specifically regulate emission rights ($CO_2$). The IASB has issued IFRIC 3 – *Emission Rights* for consultation purposes. However, as it was not endorsed by the EFRAG, the IASB subsequently withdrew it. Emission rights are initially recognised as intangible assets at fair value using the cap and trade scheme. They are subsequently measured using the cost model. Emission rights recognised under intangible assets are not amortised but are tested for impairment. At the end of each reporting period, if production requires a greater number of $CO_2$ allowances than those available in the register, the Group sets up a provision for risks and charges for the fair value of the number of allowances to be purchased subsequently on the market.

**Financial instruments**

Financial assets are classified in one of the following categories upon initial recognition and measured as follows:

- *Available-for-sale financial assets:* these are non-derivative financial assets that are explicitly designated as belonging to this category and are recognised as non-current assets unless management intends to sell them within 12 months of the reporting date. They are measured at fair value and fair value gains or losses are recognised in equity through the statement of comprehensive income. They are recognised in profit or loss only when they are effectively sold or when any accumulated fair value losses are deemed to indicate an impairment which will not be recovered in the future.

  Financial assets are derecognised when the right to receive cash flows from the asset has been extinguished and the company has transferred substantially all the risks and rewards of ownership of the instrument along with control. When fair value cannot be determined reliably, AFS financial assets continue to be recognised at cost, adjusted for impairment. Impairment losses are not reversed.
- *Financial assets at fair value through profit or loss:* this category includes financial assets mainly acquired for sale in the short term, those designated at fair value through profit or loss at the acquisition date and derivatives. The fair value of financial instruments quoted on active markets is determined using market prices at the reporting date. If an active market does not exist and there is no market price available for an identical asset, the fair value is determined using a valuation technique that maximises the use of input data observable on the market and minimises the use of non-observable parameters. Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Derivatives are treated as assets when they have a positive fair value and as liabilities when they have a negative fair value. The Group offsets positive and negative fair values arising on transactions with the same counterparty, when such offsetting is provided for contractually.
- *Loans and receivables:* these are non-derivative financial instruments, mainly trade receivables, which are not quoted on an active market from which the company expects to receive fixed or determinable payments. They are recognised as current (when the deadline is within ordinary commercial terms) except for those with a deadline of more than 12 months after the reporting date, which are classified as non-current. These assets are measured at amortised cost using the effective interest method. If there is objective indication of impairment, the asset is impaired to the present value of future cash flows. Impairment losses are recognised in profit or loss. If the reasons for the impairment are no longer valid in future years, the impairment loss is reversed to the amount the asset would have had, had the impairment loss not been recognised and the amortised cost method applied.

  Financial assets are derecognised when the right to receive cash flows therefrom has been extinguished and the Group has transferred substantially all the risks and rewards of ownership and the related control.

Financial liabilities, related to loans and borrowings, trade payables and other obligations to pay, are initially recognised at fair value, less directly related costs. They are subsequently measured at amortised cost, using the effective interest method. If there is a change in the estimated future cash flows and they can be

determined reliably, the carrying amount of the liability is recalculated to reflect this change based on the present value of the new estimated future cash flows and the initially determined internal rate of return.
Financial liabilities are classified as current liabilities, unless the Group has the unconditional right to defer their payment for at least 12 months after the reporting date.
Financial liabilities are derecognised when they are extinguished and the Group has transferred all the risks and obligations related thereto.

**Derivatives**

The Group uses derivatives to hedge the risk of fluctuations in exchange rates, interest rates and market prices.
All derivatives are measured and recognised at fair value, as required by IAS 39.
Transactions that meet requirements for the application of hedge accounting are classified as hedging transactions. Other transactions are designated as trading transactions, even when their purpose is to manage risk. Therefore, as some of the formal requirements of IFRS were not met at the derivative agreement date, changes in their fair value are recognised in profit or loss.
Subsequent fair value gains or losses on derivatives that meet the requirements for classification as hedging instruments are recognised using the criteria set out below.
A derivative qualifies for hedge accounting if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, including the entity's risk management objective and strategy for undertaking the hedge as well as methods to test effectiveness. The hedge's effectiveness is assessed at inception and over the life of the hedge. Generally, a hedge is considered to be highly effective if, both upon inception and over its life, changes in the fair value (fair value hedges) or estimated cash flows (cash flow hedges) of the hedged item are substantially covered by changes in the fair value of the hedging instrument.
When the hedge relates to changes in the fair value of a recognised asset or liability (fair value hedge), changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.
In the case of cash flow hedges (hedges designated to offset the risk of changes in cash flows generated by the future performance of contractually defined obligations at the reporting date), changes in fair value of the derivative recognised after its initial recognition are recognised under reserves (in equity) for the effective part only. When the economic effects of the hedged item arise, the reserve is reversed to profit or loss under operating income (expense). If the hedge is not perfectly effective, changes in the fair value of the hedging instrument, related to the ineffective portion, are immediately charged to profit or loss. If, during the life of a derivative, the estimated cash flows hedged are no longer highly probable, the portion of the reserves related to that instrument is immediately reversed to profit or loss. Conversely, if the derivative is sold or no longer qualifies as an effective hedging instrument, the part of the reserves representing the fair value changes in the instrument, accumulated to date, is maintained in equity and reversed to profit or loss using the above classification method when the originally hedged transaction takes place.
The fair value of financial instruments was calculated used pricing techniques in order to define the present value of future cash flows attributable to such instruments, using market curves in place at the measurement

date. Furthermore, the component related to the risk of non-compliance (by the Group and the counterparty) was measured using yield-curve spreads.

**Cash and cash equivalents**

Cash and cash equivalents are recognised at fair value and include bank deposits and cash-on-hand, i.e., short-term, highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Employee benefits**

Liabilities for employee benefits paid at or after termination of employment related to defined benefit plans, net of any plan assets, are determined using actuarial assumptions, estimating the amount of future benefits accrued by employees at the reporting date. They are recognised on an accruals basis over the period in which the employees' rights accrue.

Defined benefit plans also include the post-employment benefits (TFR) due to employees[3] pursuant to article 2120 of the Italian Civil Code for benefits vested up to 31 December 2006. Following pension law reform, post-employment benefits accruing since 1 January 2007 are mandatorily transferred to a supplementary pension fund or the special treasury fund set up by INPS (the Italian social security institution) depending on which option the employee has chosen. Therefore, the Group's liability for defined benefits owing to employees solely relates to those vested up to 31 December 2006.

Accounting policies adopted by the Group[1] since 1 January 2007 (described below) comply with the prevailing interpretation of the new legislation and follow the accounting guidance provided by relevant professional bodies. Specifically:

- Post-employment benefits accruing since 1 January 2007 are considered to be defined contribution plans, including when the employee has opted to transfer the benefits to the INPS treasury fund. These benefits, determined in accordance with Italian Civil Code requirements, are not subjected to actuarial valuation and are recognised as personnel expense.
- Post-employment benefits vested up to 31 December 2006 continue to be recognised as a Group liability for defined benefit plans. This liability will not increase in the future through additional accruals. Therefore, unlike in the past, the actuarial calculation used to determine the 31 December 2016 balance did not include future salary increases.

Independent actuaries calculate the present value of the Group's obligations using the projected unit credit method. They project the liability into the future to determine the probable amount to be paid when the employment relationship terminates and then discount it to consider the time period before the first effective payment. This calculation includes post-employment benefits accrued for past service and uses actuarial assumptions, mainly based on interest rates, which reflect the market yield on high quality corporate bonds with a term consistent with that of the Group's obligation[4] and employee turnover rate.

[3] For Italian companies.

[4] Discounted using the IRS rate curve equal to the term of the relevant observation period (50 years).

As the Group is not liable for post-employment benefits that accrue after 31 December 2006, the actuarial calculation of these benefits excludes the future salary increase component.
Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Group's obligations at the reporting date, due to changes in the actuarial assumptions used (see above), are recognised directly in other comprehensive income.

**Provisions for risks and charges**

These provisions cover certain or probable risks and charges identified, whose contingency or amount is unknown at the reporting date.
Accruals to provisions for risks and charges are recognised when the Group has a constructive or legal obligation at the reporting date as a result of a past event and it is likely that an outflow of resources will be necessary to settle the obligation and the amount of this outflow can be estimated reliably. When the time value of money is material and the payment dates can be estimated reliably, the provision is discounted. Increases in the provision due to the passage of time are recognised as a financial expense. The Group sets up a specific provision when it has an obligation to dismantle and restore sites (e.g., quarries), thus increasing the carrying amount of the related asset pursuant to IFRIC 1.

**Grants**

Government and other grants are recognised at their fair value when the Group is reasonably certain they will be received and it will meet all the conditions for their receipt.
Grants for the purchase or development of non-current assets (grants related to assets) are either recognised directly as a reduction in the value of the non-current asset or under other liabilities and charged to profit or loss over the related asset's useful life.
Grants related to income are recognised in full in profit or loss when the conditions for their recognition are met.

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and it can be estimated reliably. Revenue is recognised at the fair value of the consideration received net of VAT, discounts, allowances and returns.
Specifically, revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from the rendering of services is recognised when the services are rendered by reference to the stage of completion of the transaction at the end of the reporting period.

### Financial income and expense

Financial income and expense are recognised on an accruals basis considering the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest rate, i.e., the interest rate that matches the cash inflows and outflows of a specific transaction. Reference should be made to the section on property, plant and equipment for the treatment of capitalised borrowing costs.

### Dividends

Dividends are recognised when the shareholders' right to receive them is established. This usually takes place at the date of the shareholders' resolution to distribute the dividends. Therefore, distribution is recognised as a liability in the period in which the shareholders approve it.

### Income taxes

Current income taxes are determined using an estimate of the tax base and current regulations.

Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of assets and liabilities and their tax base, except for goodwill, applying the tax rates expected to be enacted in the years in which the temporary differences will be recovered or settled.

The Group recognises deferred tax assets when their recovery is probable, i.e., when taxable profits sufficient to allow recovery are foreseen for the future. Recoverability is reviewed at the end of each reporting period.

Current and deferred income taxes are recognised in profit and loss except for those related to captions directly recognised in other comprehensive income (expense). Other non-income taxes, such as property taxes, are recognised under operating costs.

Other non-income taxes, such as property taxes, are recognised under operating costs.

**Earnings per share**

(i) Basic: basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares.

(ii) Diluted: diluted earnings per share are calculated by dividing the Group's profit by the weighted average of shares outstanding during the year, excluding treasury shares. The weighted average is adjusted assuming that all potential shares with diluting effects have been converted. Diluted earnings per share are not calculated if the Group makes a loss, as any dilutive effect would lead to an improvement in the earnings per share.

**Transactions in currencies other than the functional currency**

All transactions in currencies other than the functional currency of individual group companies are recognised at the exchange rate applicable at the transaction date.

Monetary assets and liabilities in currencies other than the functional currency are subsequently retranslated using the closing rate. Any resulting exchange rate gains or losses are recognised in profit or loss.

Non-monetary assets and liabilities denominated in a currency other than the functional currency are recognised at historical cost are translated using the exchange rate in force at the date fair value was determined.

Non-monetary assets and liabilities recognised at fair value are translated using the exchange rate in force at the date fair value was determined.

**Translation of financial statements of foreign operations**

The financial statements of subsidiaries, associates and joint ventures are prepared using the currency of the primary economic environment in which they operate (the functional currency).

The financial statements of Group companies operating outside the Euro zone are translated into Euros using the closing rate for the statement of financial position captions and the average annual rate for the income statement captions if no major fluctuations are detected in the reference period, in which case the exchange rate on the date of the transaction applies. Translation differences arising on the adjustment of opening equity at the closing spot rates and the differences arising from the diverse methods used to translate profit for the year are recognised in equity through the statement of comprehensive income and shown separately in a special reserve.

When a foreign operation is sold, the translation differences accumulated in the specific equity reserve are reclassified to profit or loss.

As provided by IFRS 1, translation differences existing at the date of first-time adoption of IFRS are reclassified to retained earnings under equity.

The main exchange rates used in translating the financial statements of companies with functional currencies other than the Euro are as follows:

| | 31 December 2017 | Average 2017 | 31 December 2016 | Average 2016 |
|---|---|---|---|---|
| Turkish lira – TRY | 4.55 | 4.12 | 3.71 | 3.34 |
| US dollar – USD | 1.20 | 1.13 | 1.05 | 1.11 |
| British pound – GBP | 0.89 | 0.88 | 0.86 | 0.82 |
| Egyptian pound – EGP | 21.34 | 20.15 | 19.10 | 11,03 |
| Danish krone – DKK | 7.45 | 7.44 | 7.43 | 7.45 |
| Icelandic krona – ISK | 124.30 | 120.42 | 119.15 | 133.71 |
| Norwegian krone – NOK | 9.84 | 9.33 | 9.09 | 9.29 |
| Swedish krona – SEK | 9.84 | 9.64 | 9.55 | 9.47 |
| Malaysian ringgit – MYR | 4.85 | 4.85 | 4.73 | 4.58 |
| Chinese renminbi-yuan – CNY | 7.80 | 7.63 | 7.32 | 7.35 |

## Use of estimates

The preparation of consolidated financial statements requires management to use accounting policies and methods that are sometimes based on difficult and subjective judgements, estimates based on past experience and assumptions that are considered reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the amounts presented in the financial statements and disclosures. The actual results for which these estimates and assumptions were used may differ due to the uncertainties that characterise the assumptions and the conditions on which the estimates were based.

The accounting policies and financial statements captions that require greater subjective judgement by management when making estimates and for which a change in the conditions underlying the assumptions could have a significant impact on the Group's consolidated financial statements are the following:

- *Intangible assets with an indefinite life*: goodwill is tested for impairment annually to identify any impairment losses to be recognised in profit or loss. Specifically, testing entails the calculation of the recoverable amount of the CGUs to which goodwill is allocated by estimating the related value in use or fair value less costs to sell; if the fair value of the relative net capital employed is lower than the CGUs' carrying amount, the goodwill allocated to it is impaired. Allocation of goodwill to the CGUs and determination of their fair value involves the use of estimates that rely on factors that may change over time, with potentially significant effects compared to the valuations made by management.
- *Impairment losses on non-current assets*: in accordance with the Group's accounting policies, property, plant and equipment and intangible assets with a finite life are tested for impairment when indicators exist showing that recovery of the relative carrying amount through the assets' use is unlikely. Management makes use of subjective judgments based on information available within the Group and on the market as well as past experience to check the existence of these indicators. If there is indication of impairment, the Group determines impairment using valuation techniques deemed suitable. The correct identification of impairment indicators and the estimates used to determine impairment rely on factors that may vary over time, affecting management's judgement and estimates.

- *Amortisation and depreciation of non-current assets*: amortisation and depreciation are significant costs for the Group. The cost of property, plant and equipment is depreciated systematically over the assets' estimated useful life, which is determined by management when the asset is purchased on the basis of past experience of similar assets, market conditions and expectations about future events that could impact the assets' useful life, such as technological change. As such, effective useful life may differ from estimated useful life. The Group regularly assesses technological and sector changes, dismantlement costs and the recoverable amount to update useful life. This regular update could lead to a change in the depreciation period and, therefore, the amount of depreciation in future years. Management regularly reviews the estimates and assumptions and the effects of each change are recognised in profit or loss. When the review affects current and future years, the change is recognised in the year in which it is made and in the related future years, as explained in more detail in the next section.
- *Purchase price allocation:* as part of business combinations, the identifiable assets purchased and the liabilities assumed are recognise in the consolidated financial statements at fair value on the acquisition date, through a Purchase price allocation process, against the consideration transferred to acquire the control of a company, which corresponds to the fair value of the assets transferred and the liabilities assumed, as well as of capital instruments issued. During the measurement period, the calculation of the aforementioned current values requires Directors to make estimates on the information available on all facts and circumstances that exist on the acquisition date and may affect the value of the acquired assets and assumed liabilities.
- *Estimate of the fair value of investment properties:* on each reference date of the financial statements, real estate investments are valued at fair value and are not subject to depreciation. When determining their fair value, the Directors based their valuation on assumptions about the trend of the reference real estate market in particular. Such assumptions may vary over time, influencing valuations and forecasts to be performed by the Directors.

## Changes in accounting policies, errors and changes in estimates

The group modifies the accounting policies adopted from one reporting period to another only if the change is required by a standard or contributes to providing more reliable and relevant information about the effects of transactions on the group's financial position, performance and cash flows.

Changes in accounting policies are recognised retrospectively; the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts shown for each comparative period presented are adjusted as if the new accounting policy had always been applied. The prospective approach is only applied when it is impracticable to reconstruct the comparative amounts.

If a change in accounting policy is required by a new or revised standard, the change is accounted for as required by that new pronouncement or, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. If this is impracticable, it is applied prospectively.

This same approach is applied to material errors. Non-material errors are recognised in profit or loss in the period in which the error is identified.

Changes in estimates are recognised prospectively in profit or loss in the period in which the change takes place, if it only affects that period, or in the period in which the change takes place and subsequent periods, if the change also affects these periods.

## Financial risk management

The Group is exposed to financial risks related to its operations, namely:

**Credit risk**

The Group is not particularly exposed to credit risk, despite operating in different geographical markets, as it is not overly exposed to a limited number of positions. Moreover, its operating procedures require checks on credit risk, with the sale of products and/or services limited to customers with suitable credit ratings and guarantees.

Receivables are recognised net of the allowance for impairment, calculated considering the risk of the counterparty's default, based on all available information about the customer's solvency. Therefore, the maximum exposure to credit risk is equivalent to the carrying amount.

With respect to bank deposits and derivatives, the Group has always worked with leading counterparties, thus limiting its credit risk in this sense.

**Liquidity risk**

Liquidity risk concerns the availability of financial resources and access to credit market and financial instruments.

Specifically, the Group monitors and manages its cash flows, funding requirements and liquidity levels in order to ensure the effective and efficient use of its financial resources.

It meets its liquidity requirements for investing activities, working capital and the payment of amounts payable drawing on cash flows generated constantly by its operating activities and on credit facilities.

The Group aims to maintain its ability to generate cash flows through operating activities, given the current market conditions. In fact, thanks to its strong financial position, any unplanned financial requirements can be funded through its access to credit facilities.

**Market risk**

Market risk mainly concerns currency, interest rate and commodity price risk as the Group operates internationally in areas with different currencies. It uses financial instruments to hedge these risks.

The Group monitors the financial risks to which it is exposed regularly so as to assess in advance any potential impacts and take the most suitable action to mitigate them; it does this through the use of derivatives.

*Currency risk*

Group companies operate internationally; as such they are structurally exposed to currency risk for cash flows from operating activities and financing operations in currencies other than the functional currency.

The Group's operating activities are exposed differently to changes in exchange rates. The Group assesses the natural hedging of cash flows and financing for these risks and purchases currency forwards and currency put and call options for hedging purposes. The Group assesses the natural hedging of cash flows and financing for these risks and purchases currency forwards and currency put and call options for hedging purposes. Transactions involving derivatives are performed for hedging purposes.

The Group's presentation currency is the Euro. As a result, it is open to currency risk in relation to the translation of the financial statements of consolidated companies based in non-Euro zone countries (except for Denmark whose currency is historically tied to the Euro). The income statements of these companies are translated into Euros using the average annual rate and changes in exchange rates may affect the Euro balances, even when the revenue and profits in local currency remain unchanged. Pursuant to the IFRS, translation differences on assets and liabilities are recognised directly in equity in the translation reserve (note 13).

*Interest rate risk*

As the Group has net financial debt, it is exposed to the risk of fluctuations in interest rates. The company purchases interest rate swaps to partly hedge the risk after assessing forecast interest rates and timeframes for the repayment of debt by using estimated cash flows.

The Group's operating and financial policies aim to minimise the impact of these risks on its performance.

*Commodity price risk*

The Group is exposed to the risk of fluctuations in raw materials prices. It manages this risk through supply agreements with Italian and foreign suppliers which set prices and quantities for roughly 12 months. It also uses suppliers in different geographical areas to avoid the risk of supply chain concentration and to obtain the most competitive prices.

## Segment reporting

In accordance with IFRS 8, the Group has identified its operating segments on the basis of the parent's internal reporting system for management purposes.

Starting 1 January 2016, the Group's operations are organised on a regional basis, divided into four Regions that represent the following geographical areas: Nordic & Baltic and USA, Eastern Mediterranean, Asia Pacific, and Central Mediterranean (Italy).

The Nordic & Baltic and USA area includes Denmark, Belgium and the operations previously included in Other Scandinavian Countries (Norway, Sweden and Iceland) and the Rest of the World (United Kingdom, Poland, Russia, France and United States). Turkey and Egypt have been grouped into the Eastern Mediterranean area, while the Asia Pacific area (China, Malaysia and Australia) has replaced the Far East area.

The Group's geographical segments consist of the non-current assets of each company based and operating in the above areas. Transfer prices applied to transactions between segments for the exchange of goods and services comply with normal market conditions.

The following table shows the performance of each operating segment at 31 December 2017:

| (EUR '000) | **Nordic & Baltic and USA** | | | **Eastern Mediterranean** | | **Asia Pacific** | **Central Mediterranean** | Unallocated items and adjustments | **CEMENTIR HOLDING GROUP** |
|---|---|---|---|---|---|---|---|---|---|
| | **Denmark** | **Belgium / France** | **Other** [*] | **Turkey** | **Egypt** | | | | |
| **Operating revenue** | **381,921** | **237,987** | **283,519** | **204,879** | **36,891** | **84,240** | **46,105** | **(105,498)** | **1,170,044** |
| *Intra-segment operating revenue* | (55,450) | (724) | (5,134) | - | (381) | - | (43,809) | 105,498 | - |
| Contributed operating revenue | 326,471 | 237,263 | 278,385 | 204,879 | 36,510 | 84,240 | 2,296 | - | 1,170,044 |
| **Segment result (EBITDA)** | **95,832** | **44,787** | **21,130** | **31,555** | **11,647** | **19,100** | **(1,354)** | **-** | **222,697** |
| Amortisation, depreciation, impairment losses and provisions | (22,840) | (21,489) | (8,359) | (19,643) | (2,130) | (6,128) | (1,543) | - | (82,132) |
| **EBIT** | **72,992** | **23,298** | **12,771** | **11,912** | **9,517** | **12,972** | **(2,897)** | - | **140,565** |
| Share of net profits (losses) of equity-accounted investees | (336) | (16) | 5,137 | - | - | - | - | - | 4,785 |
| Net financial income (expense) | - | - | - | - | - | - | - | (18,697) | (18,697) |
| **Profit (loss) before taxes** | - | - | - | - | - | - | - | - | **126,653** |
| Income taxes | - | - | - | - | - | - | - | - | (16,393) |
| **Profit (loss) for the year** | - | - | - | - | - | - | - | - | **110,260** |

[*] "Other" includes the operations in Norway, Sweden, Iceland, United Kingdom, Poland, Russia and United States.

The following table shows the performance of each operating segment at 31 December 2016:

| (EUR '000) | Nordic & Baltic and USA | | | Eastern Mediterranean | | Asia Pacific | Central Mediterranean | Unallocated items and adjustments | CEMENTIR HOLDING GROUP |
|---|---|---|---|---|---|---|---|---|---|
| | Denmark | Belgium / France | Other * | Turkey | Egypt | | | | |
| **Operating revenue** | **373,612** | **40,494** | **246,788** | **214,762** | **50,408** | **80,092** | **18,985** | **(66,294)** | **958,847** |
| *Intra-segment operating revenue* | (43,360) | (12) | (5,039) | - | (81) | - | (17,802) | 66,294 | - |
| Contributed operating revenue | 330,252 | 40,482 | 241,749 | 214,762 | 50,327 | 80,092 | 1,183 | - | 958,847 |
| **Segment result (EBITDA)** | **115,098** | **8,790** | **19,659** | **32,060** | **13,374** | **20,983** | **(1,461)** | - | **208,503** |
| Amortisation, depreciation, impairment losses and provisions | (21,625) | (3,148) | (8,233) | (29,140) | (3,412) | (6,236) | (1,143) | - | (72,937) |
| **EBIT** | **93,473** | **5,642** | **11,426** | **2,920** | **9,962** | **14,747** | **(2,604)** | - | **135,566** |
| Share of net profits (losses) of equity-accounted investees | (1,169) | (31) | 6,327 | - | - | - | - | - | 5,127 |
| Net financial income (expense) | - | - | - | - | - | - | - | 19,139 | 19,139 |
| **Profit (loss) before taxes** | - | - | - | - | - | - | - | - | **159,832** |
| Income taxes | - | - | - | - | - | - | - | - | (40,891) |
| **Profit (loss) for the year** | - | - | - | - | - | - | - | - | **118,941** |

The following table shows other data for each geographical segment at 31 December 2017:

| (EUR '000) | Segment assets | Segment liabilities | Equity-accounted investments | [5]Investments in property, plant and equipment and intangible assets |
|---|---|---|---|---|
| **Nordic & Baltic and USA:** | | | | |
| **Denmark** | 537,303 | 228,095 | 2,762 | 41,929 |
| **Belgium / France** | 515,817 | 262,104 | 59 | 14,763 |
| **Other *** | 179,764 | 74,681 | 19,649 | 8,150 |
| **Eastern Mediterranean:** | | | | |
| **Turkey** | 395,144 | 65,588 | - | 10,208 |
| **Egypt** | 92,562 | 17,653 | - | 3,197 |
| **Asia Pacific** | 137,637 | 15,661 | - | 3,252 |
| **Central Mediterranean** | 499,102 | 677,888 | - | 4,351 |
| *of which assets held for sale* | *431,829* | *117,873* | | |
| **Total** | **2,357,329** | **1,341,670** | **22,470** | **85,850** |

* "Other" includes the operations in Norway, Sweden, Iceland, United Kingdom, Poland, Russia and United States.

[5] Investments made in the year.

The following table shows other data for each segment at 31 December 2016:

| (EUR '000) | Segment assets | Segment liabilities | Equity-accounted investments | [6]Investments in property, plant and equipment and intangible assets |
|---|---|---|---|---|
| **Nordic & Baltic and USA:** | | | | |
| **Denmark** | 509,636 | 247,461 | 2,940 | 26,149 |
| **Belgium / France** | 550,763 | 185,926 | 75 | 4,663 |
| **Other *** | 188,461 | 80,080 | 19,878 | 10,743 |
| **Eastern Mediterranean:** | | | | |
| **Turkey** | 453,220 | 68,430 | - | 15,058 |
| **Egypt** | 97,911 | 20,797 | - | 1,434 |
| **Asia Pacific** | 133,424 | 15,013 | - | 2,322 |
| **Central Mediterranean** | 527,760 | 783,165 | - | 11,459 |
| **Total** | **2,461,175** | **1,400,872** | **22,893** | **71,828** |

The following table shows revenue from third-party customers by geographical segment at 31 December 2017:

| (EUR '000) | Nordic & Baltic and USA | | | Eastern Mediterranean | | Asia Pacific | Central Mediterranean | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Denmark | Belgium / France | Other * | Turkey | Egypt | | | | |
| **Revenue by customer geographical location** | 252,623 | 150,758 | 270,954 | 180,582 | 15,385 | 92,967 | - | 176,737 | **1,140,006** |

The following table shows revenue from third-party customers by geographical segment at 31 December 2016:

| (EUR '000) | Nordic & Baltic and USA | | | Eastern Mediterranean | | Asia Pacific | Central Mediterranean | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Denmark | Belgium / France | Other * | Turkey | Egypt | | | | |
| **Revenue by customer geographical location** | 241,703 | 18,857 | 237,200 | 200,169 | 23,313 | 93,225 | 5 | 111,334 | **925,806** |

[6] Investments made in the year.

* "Other" includes the operations in Norway, Sweden, Iceland, United Kingdom, Poland, Russia and United States.

## Notes to the consolidated financial statements

### 1) Intangible assets with a finite useful life

At 31 December 2017, intangible assets with a finite useful life amounted to EUR 128,462 thousand (31 December 2016: EUR 124,641 thousand). Concession rights and licences mainly consisted of concessions to use quarries and software licences for the IT system (SAP R/3). Amortisation is applied over the assets' estimated useful life.

| (EUR '000) | Development expenditure | Concessions, licences and trademarks | Other intangible assets | Assets under development and advances | Total |
|---|---|---|---|---|---|
| **Gross amount at 1 January 2017** | **2,006** | **27,477** | **132,940** | **722** | **163,145** |
| Increase | - | 4,300 | 14,768 | 1,285 | 20,353 |
| Decrease | - | - | - | - | - |
| Impairment losses | - | - | - | - | - |
| Reclassifications to assets held for sale | (2) | - | (5,490) | - | (5,492) |
| Translation differences | (16) | (948) | (1,055) | (3) | (2,022) |
| Reclassifications | | 800 | 69 | (641) | 228 |
| **Gross amount at 31 December 2017** | **1,988** | **31,629** | **141,232** | **1,363** | **176,212** |
| **Amortisation at 1 January 2017** | **1,766** | **13,854** | **22,884** | **-** | **38,504** |
| Amortisation | 156 | 1,289 | 10,890 | - | 12,335 |
| Decrease | - | - | - | - | - |
| Reclassifications to assets held for sale | - | - | (2,182) | - | (2,182) |
| Translation differences | (16) | (205) | (911) | - | (1,132) |
| Reclassifications | - | 2 | 223 | - | 225 |
| **Amortisation at 31 December 2017** | **1,906** | **14,940** | **30,904** | **-** | **47,750** |
| **Net amount at 31 December 2017** | **82** | **16,689** | **110,328** | **1,363** | **128,462** |

The Group spent approximately EUR 2.2 million on research and development during the year (31 December 2016: EUR 1 million), all of which was expensed in the income statement.

| (EUR '000) | Development expenditure | Concessions, licences and trademarks | Other intangible assets | Assets under development and advances | Total |
|---|---|---|---|---|---|
| **Gross amount at 1 January 2016** | **1,992** | **29,751** | **34,465** | **1,170** | **67,378** |
| Increase | 2 | 126 | 3,363 | 1,728 | 5,219 |
| Decrease | - | (91) | - | - | (91) |
| Impairment losses | - | - | - | - | - |
| Change in consolidation scope | - | - | 51,653 | - | 51,653 |
| Translation differences | 12 | (2,356) | (1,324) | 1 | (3,667) |
| Reclassifications | - | 47 | 2,240 | (2,177) | 110 |
| CCB PPA effect | - | - | 42,543 | - | 42,543 |
| **Gross amount at 31 December 2016** | **2,006** | **27,477** | **132,940** | **722** | **163,145** |
| **Amortisation at 1 January 2016** | **1,577** | **13,329** | **19,463** | **-** | **34,369** |
| Amortisation | 181 | 1,327 | 3,707 | - | 5,215 |
| Decrease | - | (38) | - | - | (38) |
| Change in consolidation scope | - | - | 12,506 | - | 12,506 |
| Translation differences | 8 | (742) | (1,088) | - | (1,822) |
| Reclassifications | - | (22) | 22 | - | - |
| CCB PPA effect | - | - | (11,726) | - | (11,726) |
| **Amortisation at 31 December 2016** | **1,766** | **13,854** | **22,884** | **-** | **38,504** |
| **Net amount at 31 December 2016** | **240** | **13,623** | **110,056** | **722** | **124,641** |

**2) Intangible assets with an indefinite useful life**

The Group regularly tests intangible assets with an indefinite useful life, consisting of goodwill allocated to CGUs, for impairment.

At 31 December 2017, the caption amounted to EUR 346,641 thousand (31 December 2016: EUR 375,142 thousand). The following table shows CGUs by macro geographical segment.

| | | | | | | | **31.12.2017** |
|---|---|---|---|---|---|---|---|
| | **Nordic & Baltic and USA** | | **Eastern Mediterranean** | | **Asia-Pacific** | **Central Mediterranean** | **Total** |
| | **Denmark** | **Other** | **Turkey** | **Egypt** | | | |
| **Opening balance** | **230,111** | **31,794** | **101,095** | **1,993** | **3,214** | **6,935** | **375,142** |
| Increase | - | - | - | - | - | - | - |
| Decrease | - | - | - | - | - | - | - |
| Reclassification to assets held for sale | - | - | - | - | - | (6,935) | (6,935) |
| Translation differences | 568 | (3,196) | (18,583) | (209) | (146) | - | (21,566) |
| Reclassifications | - | - | - | - | - | - | - |
| **Closing balance** | **230,679** | **28,598** | **82,512** | **1,784** | **3,068** | **-** | **346,641** |

| | | | | | | | 31.12.2016 |
|---|---|---|---|---|---|---|---|
| | Nordic & Baltic and USA | | Eastern Mediterranean | | Asia-Pacific | Central Mediterranean | Total |
| | Denmark | Other | Turkey | Egypt | | | |
| **Opening balance** | **229,877** | **30,777** | **118,064** | **4,520** | **3,244** | **5,178** | **391,660** |
| Increase | - | | - | | - | - | - |
| Decrease | - | | - | | - | - | - |
| Change in consolidation scope | - | | - | | - | 1,757 | 1,757 |
| Translation differences | 234 | 1,017 | (16,969) | (2,527) | (30) | - | (18,275) |
| Reclassifications | - | | - | | - | - | - |
| **Closing balance** | **230,111** | **31,794** | **101,095** | **1,993** | **3,214** | **6,935** | **375,142** |

In line with previous years, the Group tested the cash generating units (CGUs), to which goodwill had been allocated, for impairment.

CGUs are defined as the smallest identifiable group of assets that generates cash inflows which are largely independent of cash inflows generated by other assets or groups of assets. The Group's CGUs consist of companies and/or the specific facilities they operate and to which goodwill paid at acquisition was allocated.

At 31 December 2017 the Group represented the CGUs on the basis of the operating segments, consistent with corporate organization. The CGU groupings for the "Nordic & Baltic and USA" and "Eastern Mediterranean" include CGUs to which goodwill was allocated for the local acquisitions of companies and/or plants. Specifically, the "Nordic & Baltic and USA" CGU includes the Aalborg Portland Group, Unicon AS and Neales. The "Eastern Mediterranean" CGU includes the Cimentas Group, Lalapasa, Sureko, Elazig Cimento and Sinai White Cement Company. Impairment testing of the CGUs covered cash flows tied to the acquisition of the relative groups and consolidated at Cementir Holding level, to check the goodwill generated upon acquisition by the parent for impairment.

Impairment testing involved comparing each CGU's carrying amount with its value in use, determined using the discounted cash flow (DCF) method applied to the future cash flows forecast by the three/five year plans prepared by the directors of each CGU. Cash flow projections were estimated using budget forecasts for 2017 (as approved by the Board of Directors of each subsidiary) and management forecasts for the following two/four years. The terminal values were determined using a perpetual growth rate.

The discount rate applied to the estimated future cash flows was determined for each CGU using a weighted average cost of capital (WACC).

Key assumptions to determine value in use of CGUs were as follows:

| Values in % | 31.12.2017 Growth rate of terminal values | 31.12.2017 Discount rate | 31.12.2016 Growth rate of terminal values | 31.12.2016 Discount rate |
|---|---|---|---|---|
| Nordic & Baltic and USA | 1-2% | 4-5.6% | 1-2% | 5-6.5% |
| Eastern Mediterranean | 2-4% | 12-14% | 2-4% | 12-14% |
| Asia-Pacific | 3% | 7.6-8% | 3% | 7-9% |
| Central Mediterranean (Italy) | - | - | 1.5% | 6.6% |

As a result, neither equity at 31 December 2017 nor profit (loss) for the year then ended were affected by impairment losses.

A sensitivity analysis was performed assuming a hypothetical variation in the discount rate (WACC) and in the growth rate of terminal values and showed that the impairment test results were not sensitive to changes in input assumptions. Specifically, a variation of approximately 3% in WACC, at the same conditions, would not result in the recognition of any impairment loss for all the CGUs listed above. Furthermore, a growth rate of terminal values equal to zero, at the same conditions, would not result in the recognition of any impairment loss for all the aforesaid CGUs.

Impairment testing took into consideration performance expectations for 2018; The Group made specific forecasts about its business performance for subsequent years considering the financial and market situation.

The input assumptions stated in the table above were applied to estimates and forecasts determined by on the basis of past experience and expected developments in the markets in which the Group operates. The Group constantly monitors circumstances and events that could lead to impairment losses based on developments in the current economic climate.

### 3) Property, plant and equipment

At 31 December 2017, property, plant and equipment amounted to EUR 759,840 thousand (31 December 2016: EUR 1,039,469 thousand). Additional disclosures for each category of property, plant and equipment are set out below:

| (EUR'000) | Land and buildings | Quarries | Plant and equipment | Other | Assets under development and advances | Total |
|---|---|---|---|---|---|---|
| **Gross amount at 1 January 2017** | **590,591** | **215,794** | **1,806,635** | **91,340** | **53,375** | **2,757,735** |
| Increase | 1,238 | 892 | 13,853 | 2,356 | 47,159 | 65,498 |
| Decrease | (12) | (36) | (7,314) | (8,342) | - | (15,704) |
| Impairment losses | - | - | (3,468) | - | - | (3,468) |
| Reclassifications to assets held for sale | (97,265) | (28,700) | (359,126) | (5,482) | (20,500) | (511,073) |
| Translation differences | (23,621) | (1,288) | (67,668) | (4,930) | (679) | (98,186) |
| Reclassifications | 1,727 | 567 | 29,318 | 667 | (31,943) | 336 |
| **Gross amount at 31 December 2017** | **472,658** | **187,229** | **1,412,230** | **75,609** | **47,412** | **2,195,138** |
| **Depreciation at 1 January 2017** | **319,430** | **24,044** | **1,307,908** | **66,884** | **-** | **1,718,266** |
| Depreciation | 11,291 | 1,396 | 43,599 | 3,970 | - | 60,256 |
| Decrease | - | - | (6,350) | (7,860) | - | (14,210) |
| Reclassifications to assets held for sale | (36,253) | (4,834) | (222,723) | (4,643) | - | (268,453) |
| Translation differences | (10,041) | (605) | (47,235) | (3,048) | - | (60,929) |
| Reclassifications | (258) | 367 | 913 | (654) | - | 368 |
| **Depreciation at 31 December 2017** | **284,169** | **20,368** | **1,076,112** | **54,649** | **-** | **1,435,298** |
| **Net amount at 31 December 2017** | **188,489** | **166,861** | **336,118** | **20,960** | **47,412** | **759,840** |

| (EUR'000) | Land and buildings | Quarries | Plant and equipment | Other | Assets under development and | Total |
|---|---|---|---|---|---|---|
| **Gross amount at 1 January 2016** | **422,942** | **44,622** | **1,337,187** | **84,087** | **39,000** | **1,927,838** |
| Increase | 2,761 | 1,978 | 17,177 | 2,359 | 42,334 | 66,609 |
| Decrease | (33) | (4) | (3,063) | (4,156) | (346) | (7,602) |
| Impairment losses | - | - | (7,422) | - | - | (7,422) |
| Change in consolidation scope | 181,715 | 237,314 | 533,488 | 9,990 | 15,504 | 978,011 |
| Translation differences | (33,667) | (2,384) | (90,786) | (4,272) | (3,259) | (134,368) |
| Reclassifications | (7,819) | 13,780 | 21,250 | 2,404 | (29,733) | (118) |
| CCB PPA effect | 24,692 | (79,512) | (1,196) | 928 | (10,125) | (65,213) |
| **Gross amount at 31 December 2016** | **590,591** | **215,794** | **1,806,635** | **91,340** | **53,375** | **2,757,735** |
| **Depreciation at 1 January 2016** | **226,893** | **17,168** | **899,699** | **58,742** | **-** | **1,202,502** |
| Depreciation | 11,295 | 1,206 | 60,958 | 5,490 | - | 78,949 |
| Decrease | (32) | - | (2,892) | (4,012) | - | (6,936) |
| Change in consolidation scope | 100,081 | 38,901 | 395,583 | 9,517 | - | 544,082 |
| Translation differences | (11,530) | (1,261) | (46,657) | (2,545) | - | (61,993) |
| Reclassifications | (7,277) | 6,787 | 75 | (367) | - | (782) |
| CCB PPA effect | - | (38,757) | 1,142 | 59 | - | (37,556) |
| **Depreciation at 31 December 2016** | **319,430** | **24,044** | **1,307,908** | **66,884** | **-** | **1,718,266** |
| **Net amount at 31 December 2016** | **271,161** | **191,750** | **498,727** | **24,456** | **53,375** | **1,039,469** |

At 31 December 2017, the recoverable amount of the CGU (Hereko) was estimated on the basis of its value in use, due to delays in capital expenditure which postponed full operation of the facilities and did not enable the achievement of the earnings targets.

Key assumptions were based on assessments by management concerning future projections for the sector of reference and an historic analysis of internal and external factors of information. Future cash flows were considered until 2035, when the waste management agreement will expire.

Key assumptions used to estimate the recoverable amount of the CGU were:

- WACC of 14.1% (2016: 13.7%);
- Growth rate of 5.5% (2016: 5.5%);
- EBITDA margin between 40% and 45% (2016: 30%-37%), in line with company forecasts starting from 2018 onwards.

Impairment testing at 31 December 2017 found a recoverable amount for the CGU of EUR 21.1 million, compared to a carrying amount of EUR 24.2 million. Accordingly, an impairment loss of EUR 3.5 million was recognised under the caption "Impairment losses" (note 26 on plant and equipment).

See the section on accounting policies for the useful life criteria adopted by the Group.

At 31 December 2017, a total of EUR 106.7 million of property, plant and equipment (31 December 2016: EUR 108.6 million) was pledged as collateral for bank loans totalling a residual EUR 105.8 million at the reporting date (31 December 2016: EUR 114.9 million).

Contractual commitments in place at 31 December 2017 to purchase property, plant and equipment amounted to EUR 2.9 million (31 December 2016: EUR 4 million). The Group did not capitalise borrowing costs in 2017 or in 2016.

**4) Investment property**

Investment property, totalling EUR 95,094 thousand, is recognised at fair value, as determined on an annual basis using appraisals prepared by external independent property assessors.

| (EUR '000) | 31.12.2017 | | | 31.12.2016 | | |
|---|---|---|---|---|---|---|
| | **Land** | **Buildings** | **Total** | **Land** | **Buildings** | **Total** |
| **Opening balance** | **69,312** | **29,511** | **98,823** | **85,971** | **30,174** | **116,145** |
| Increase | - | - | **-** | - | - | **-** |
| Decrease | - | - | **-** | (5,387) | (7) | **(5,394)** |
| Fair value gains (losses) | 9,495 | 586 | **10,081** | - | - | **-** |
| Translation differences | (13,031) | (779) | **(13,810)** | (11,272) | (656) | **(11,928)** |
| Reclassifications | - | - | **-** | - | - | **-** |
| **Closing balance** | **65,776** | **29,318** | **95,094** | **69,312** | **29,511** | **98,823** |

In 2017 the amount of investment property included mainly land and buildings of Cimentas group for EUR 65.9 million.

At 31 December 2017, approximately EUR 18 million of investment property was pledged as collateral for bank loans totalling a residual, undiscounted amount of approximately EUR 7 million at the reporting date.

The fair value of investment property was determined by independent property assessors who meet professionalism requirements, bearing in mind the prices of other similar assets recently involved in transactions or currently offered on the same market.

**5) Equity-accounted investments**

This caption shows the Group's share of equity in equity-accounted associates and joint ventures. The carrying amount of these investments and the Group's share of the investees' profit or loss are shown below:

| Company | Business | Registered office | Investment % | **Carrying amount** | **Share of profit or loss** |
|---|---|---|---|---|---|
| **31.12.2017** | | | | | |
| Lehigh White Cement Company *Joint Venture* | Cement | Allentown (USA) | 24.5% | 17,914 | 5,316 |
| Sola Betong AS | Ready-mixed concrete | Risvika (Norway) | 33.3% | 969 | 115 |
| ECOL Unicon Spzoo | Ready-mixed concrete | Gdansk (Poland) | 49% | 2,762 | (336) |
| ÅGAB Syd Aktiebolag | Aggregates | Malmö (Sweden) | 40% | 766 | (238) |
| EPI UK R&D | Research & development | Trowbridge (UK) | 50% | - | (56) |
| Recybel | Other | Liegi-Flemalle (Belgium) | 25.5% | 59 | (16) |
| **Total** | | | | **22,470** | **4,785** |

| Company | Business | Registered office | % Investment % | **Carrying amount** | **Share of profit or loss** |
|---|---|---|---|---|---|
| **31.12.2016** | | | | | |
| Lehigh White Cement Company *Joint Venture* | Cement | Allentown (USA) | 24.5% | 17,671 | 6,034 |
| Sola Betong AS | Ready-mixed concrete | Risvika (Norway) | 33.3% | 1,177 | 201 |
| ECOL Unicon Spzoo | Ready-mixed concrete | Gdansk (Poland) | 49% | 2,940 | (1,169) |
| ÅGAB Syd Aktiebolag | Aggregates | Malmö (Sweden) | 40% | 1,030 | 217 |
| EPI UK R&D | Research & development | Trowbridge (UK) | 50% | - | (125) |
| Recybel | Other | Liegi-Flemalle (Belgium) | 25.5% | 75 | (31) |
| **Total** | | | | **22,893** | **5,127** |

No indicators of impairment were identified for these investments.

The Group holds 24.5% of the voting rights in the company Lehigh White Cement Company; the other two shareholders each hold 24.5% and 51% respectively. The joint venture does not have contingent liabilities and the Group's maximum exposure to the joint venture does not exceed its share of equity. The agreement between the shareholders establishes that all material decisions about the joint venture's activities require the unanimous consent of the parties, which means that all the shareholders have joint control over the company.

Since each of the shareholders has a proportional right to the net assets of the arrangement, Lehigh White Cement Company qualifies as a joint venture and, as such, is accounted for using the equity method.

The table below reports the full values of Lehigh White Cement Company:

| | Lehigh White Cement Company | |
|---|---|---|
| (EUR '000) | **31.12.2017** | **31.12.2016** |
| **Revenue** | **131,943** | **132,151** |
| **Profit for the year** | **20,490** | **24,962** |
| **Dividends received from the joint venture** | **3,060** | **6,516** |
| **Assets:** | **78,623** | **79,792** |
| *- Non-current assets* | *28,393* | *31,352* |
| *- Current assets* | *50,230* | *48,440* |
| **Liabilities:** | **14,067** | **16,109** |
| *- Non-current liabilities* | *2,055* | *3,230* |
| *- Current liabilities* | *12,012* | *12,879* |
| **Net assets** | **64,556** | **63,683** |
| Investment % | 24.5% | 24.5% |
| Share of equity attributable to the owners of the parent | 15,816 | 15,602 |
| Adjusting entries | - | - |
| Consolidation differences | 2,098 | 2,069 |
| **Value of the equity-accounted investment** | **17,914** | **17,671** |

### 6) Available-for-sale equity investments

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Available-for-sale equity investments** *opening balance* | **571** | **207** |
| Increase (decrease) | - | - |
| Fair value gains (losses) | - | - |
| Change in consolidation scope | - | 374 |
| Reclassifications to assets held for sale | (340) | - |
| Translation differences | (10) | (10) |
| **Available-for-sale equity investments** *closing balance* | **221** | **571** |

No indicators of impairment were identified.

### 7) Inventories

The carrying amount of inventories approximates their fair value; a breakdown of the caption is shown below:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Raw materials, consumables and supplies | 78,167 | 95,063 |
| Work in progress | 22,570 | 33,131 |
| Finished goods | 25,344 | 34,547 |
| Advances | 646 | 1,081 |
| **Inventories** | **127,727** | **163,822** |

Changes were recorded over the period in the different inventory categories as a result of manufacturing processes and sales, the costs of factors of production and the foreign exchange rates used to translate financial statements stated in foreign currencies.

The negative change in raw materials, consumables and supplies, totalling EUR 13,108 thousand (31 December 2016: negative EUR 652 thousand) was expensed in the income statement as “Raw materials costs” (Note 23). The positive change in work in progress and finished goods was recorded in the income statement for a total of EUR 623 thousand (31 December 2016: positive EUR 3,263 thousand).

**8) Trade receivables**

Trade receivables totalled EUR 160,629 thousand (31 December 2016: EUR 236,498 thousand) and break down as follows:

| (EUR ’000) | | **31.12.2017** | **31.12.2016** |
|---|---|---|---|
| Trade receivables | | 159,623 | 260,518 |
| Allowances for impairment | | (5,952) | (32,737) |
| **Net trade receivables** | | **153,671** | **227,781** |
| Advances to suppliers | | 1,066 | 1,771 |
| Trade receivables - related parties | (note 34) | 5,892 | 6,946 |
| **Trade receivables** | | **160,629** | **236,498** |

The carrying amount of trade receivables equals their fair value. They arise on commercial transactions for the sale of goods and services and do not present significant concentration risks.

The breakdown by due date is shown below:

| (EUR ’000) | **31.12.2017** | **31.12.2016** |
|---|---|---|
| Not yet due | 113,322 | 182,107 |
| Overdue: | 46,301 | 78,411 |
| *0-30 days* | *21,263* | *19,314* |
| *30-60 days* | *8,864* | *4,454* |
| *60-90 days* | *5,778* | *5,185* |
| *More than 90 days* | *10,396* | *49,458* |
| Total trade receivables | 159,623 | 260,518 |
| Allowances for impairment | (5,952) | (32,737) |
| **Net trade receivables** | **153,671** | **227,781** |

### 9) Current and non-current financial assets

Non-current financial assets of EUR 2,176 thousand (31 December 2016: EUR 2,970 thousand) mainly refer to financial items which will be expensed upon termination of the financing contract signed by Cementir Holding SpA.

Current financial assets totalled EUR 1,067 thousand (31 December 2016: EUR 3,491 thousand) and break down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Fair value of derivatives | | 335 | 205 |
| Accrued income/ Prepayments | | 730 | 855 |
| Loan assets - related parties | (note 34) | - | - |
| Other loan assets | | 2 | 2,431 |
| **Current financial assets** | | **1,067** | **3,491** |

Other financial receivables at 31 December 2016 include the effect of the change in the scope of consolidation of EUR 1.5 million pertaining to the acquisition of the CCB group.

### 10) Current tax assets

Current tax assets, totalling EUR 7,060 thousand (31 December 2016: EUR 8,368 thousand), mainly refer to IRES and IRAP payments on account to tax authorities (approximately EUR 1.5 million), withholdings (EUR 2.2 million) and IRES refunds requested for the non-deductibility of IRAP in previous years (approximately EUR 1 million).

### 11) Other current and non-current assets

Other non-current assets totalled EUR 8,296 thousand (31 December 2016: EUR 11,075 thousand) and mainly consisted of VAT assets and deposits.

Other current assets totalled EUR 18,511 thousand (31 December 2016: EUR 48,517 thousand) and consisted of non-commercial items. The caption breaks down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| VAT assets | | 4,040 | 5,040 |
| Personnel | | 261 | 687 |
| Accrued income | | 276 | 381 |
| Prepayments | | 3,986 | 8,604 |
| Other receivables | | 9,948 | 30,133 |
| Other receivables with related parties | (note 34) | - | 3,672 |
| **Other current assets** | | **18,511** | **48,517** |

## 12) Cash and cash equivalents

Totalling EUR 214,528 thousand (31 December 2016: EUR 244,025 thousand), the caption consists of liquidity held by the Group, which is usually invested in short-term financial transactions. The caption breaks down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Bank and postal deposits | | 214,129 | 243,318 |
| Bank deposits - related parties | (note 34) | - | - |
| Cash-in-hand and cash equivalents | | 399 | 707 |
| **Cash and cash equivalents** | | **214,528** | **244,025** |

## 13) Equity

*Equity attributable to the owners of the parent*

Equity attributable to the owners of the parent amounted to EUR 956,188 thousand at 31 December 2017 (31 December 2016: EUR 992,697 thousand). Profit for 2017 attributable to the owners of the parent totalled EUR 71,471 thousand (2016: EUR 67,270 thousand).

*Share capital*

The parent's share capital consists of 159,120,000 ordinary shares with a par value of EUR 1 each. It is fully paid-up and has not changed with respect to the previous year. There are no pledges or restrictions on the shares.

*Translation reserve*

At 31 December 2017, the translation reserve had a negative balance of EUR 500,469 thousand (31 December 2016: negative EUR 406,703 thousand), broken down as follows:

| (EUR '000) | 31.12.2017 | 31.12.2016 | Change |
|---|---|---|---|
| Turkey (Turkish lira – TRY) | (436,117) | (367,126) | (68,991) |
| USA (US dollar – USD) | (811) | 4,585 | (5,396) |
| Egypt (Egyptian pound – EGP) | (63,054) | (49,980) | (13,074) |
| Iceland (Icelandic krona – ISK) | (2,337) | (1,910) | (427) |
| China (Chinese renminbi – CNY) | 7,559 | 12,008 | (4,449) |
| Norway (Norwegian krone – NOK) | (4,863) | (3,166) | (1,697) |
| Sweden (Swedish krona – SEK) | (766) | (452) | (314) |
| Other countries | (80) | (662) | 582 |
| **Total translation reserve** | **(500,469)** | **(406,703)** | **(93,766)** |

*Other reserves*

At 31 December 2017, other reserves amounted to EUR 1,158,531 thousand (31 December 2016: EUR 1,105,478 thousand) and consisted primarily of retained earnings, totalling EUR 903,698 thousand (31 December 2016: EUR 840,844 thousand) and the fair value reserve connected to changes in the designation of use of certain items of property, plant and equipment, totalling EUR 55,705 thousand (EUR 55,705 at 31 December 2016).

*Equity attributable to non-controlling interests*

Equity attributable to non-controlling interests amounted to EUR 59,470 thousand at 31 December 2017 (31 December 2016: EUR 67,606 thousand). Profit for 2017 attributable to non-controlling interests totalled EUR 5,695 thousand (2016: EUR 18,079 thousand).

*Subsidiaries with material non-controlling interests*

| | Aalborg Portland Malaysia | | AB Sydsten | | Sinai White Portland Cement | |
|---|---|---|---|---|---|---|
| (EUR '000) | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** | **31.12.2017** | **31.12.2016** |
| **Revenue** | **38,966** | **39,269** | **69,451** | **58,344** | **36,443** | **45,249** |
| **Profit for the year:** | **3,393** | **6,587** | **3,505** | **3,475** | **6,292** | **34,445** |
| *- attributable to the owners of* | *2,375* | *4,611* | 1,673 | 1,738 | *3,714* | *19,682* |
| *- attributable to non-controlling* | *1,018* | *1,976* | 1,832 | 1,737 | *2,578* | *14,763* |
| Other comprehensive income (expense) | (1,272) | (558) | (808) | (941) | (8,344) | (80,434) |
| **Comprehensive income (expense) for the year** | **2,121** | **6,029** | **2,697** | **2,534** | **(2,052)** | **(45,989)** |
| **Assets:** | **58,497** | **54,949** | **48,916** | **48,859** | **92,759** | **97,910** |
| *- Non-current assets* | *27,291* | *28,324* | *20,842* | *22,185* | *35,513* | *38,426* |
| *- Current assets* | *31,206* | *26,625* | *28,074* | *26,674* | *57,246* | *59,484* |
| **Liabilities:** | **8,538** | **7,084** | **25,186** | **25,456** | **18,196** | **21,237** |
| *- Non-current liabilities* | *1,183* | *716* | *11,409* | *11,260* | *8,710* | *10,280* |
| *- Current liabilities* | *7,355* | *6,368* | *13,777* | *14,196* | *9,486* | *10,957* |
| **Net assets** | **49,959** | **47,865** | **23,730** | **23,403** | **74,563** | **76,673** |
| *- attributable to the owners of* | *34,971* | *33,506* | *11,286* | *11,018* | *49,525* | *43,811* |
| *- attributable to non-controlling* | *14,988* | *14,360* | *12,444* | *12,385* | *25,038* | *32,862* |
| **Net change in cash flow** | **4,806** | **10,467** | **6,583** | **5,122** | **10,352** | **(1,734)** |
| **Dividends paid to non-controlling interests** | **-** | **-** | **1,162** | **1,287** | **-** | **-** |

## 14) Employee benefits

Provisions for employee benefits totalled EUR 34,598 thousand (31 December 2016: EUR 41,520 thousand) and mainly included provisions for employee benefits and post-employment benefits.

Where conditions are met for their recognition, liabilities are also recognised for future commitments connected with medium/long-term incentive plans that will be paid to employees at the end of the plan period. The long-term incentive plan envisages the payment of a variable monetary reward, calculated on the basis of the gross annual salary of the beneficiary, which is tied to the achievement of the business and financial objectives in the 2017-2019 business plan. It amounted to EUR 1,469 thousand at 31 December 2017.

Provisions for employee benefits, mainly in Turkey, Belgium and Norway, are considered defined benefit plans and are partially funded through insurance plans. In particular plan assets concern Belgian and Norwegian pension schemes. Actuarial assumptions are used for the measurement of pension liabilities and assets have been valued at fair value at the balance sheet date.

Post-employment benefits are an unfunded and fully provisioned liability recognised for benefits attributable to employees upon or after termination of employment. As they are defined benefit plans, actuarial assumptions are used for their measurement: the assumptions are summarised in the table below.

| Values in % | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Annual discount rate | 0.90%-3% | 0.85%-3% |
| Expected return on plan assets | 2% | 3% |
| Annual post-employment benefits growth rate | 2.62% | 2.62% |

The amounts disclosed in the statement of financial position were determined as follows:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Provisions for employee benefits | 59,655 | 66,664 |
| Fair value of plan assets at year end | (26,526) | (25,144) |
| **Employee benefits** | **33,129** | **41,520** |

Changes in the liability are shown below:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Provisions for employee benefits** *opening balance* | **66,664** | **21,206** |
| Current service cost | 607 | 990 |
| Financial expense | 980 | 639 |
| Net actuarial gains/(losses) recognised in the year | 3,600 | (1,008) |
| Reclassifications to liabilities associated with assets held for sale | (7,451) | - |
| Change in the consolidation scope | - | 48,962 |
| Translation differences | (1,430) | (982) |
| Other changes | - | (186) |
| (Benefits paid) | (3,314) | (2,957) |
| **Provisions for employee benefits** *closing balance* | **59,655** | **66,664** |

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Fair value of plan assets** *opening balance* | **25,144** | **3,391** |
| Financial income of plan assets | 375 | 74 |
| Net actuarial gains/(losses) recognised in the year | 473 | 176 |
| Change in the consolidation scope | | 21,204 |
| Translation differences | (84) | 193 |
| Other changes | | (155) |
| (Benefits paid) | 617 | 261 |
| **Fair value of plan assets** *closing balance* | **26,526** | **25,144** |

## 15) Provisions

Non-current and current provisions amounted to EUR 29,426 thousand (31 December 2016: EUR 35,267 thousand) and EUR 2,869 thousand (31 December 2016: EUR 3,484 thousand) respectively.

| (EUR '000) | Quarry provision provision | Litigation provision | Other provisions | Total provisions |
|---|---|---|---|---|
| **Balance at 1 January 2017** | **25,965** | **5,661** | **7,125** | **38,751** |
| Provisions | 686 | 116 | 3,473 | **4,275** |
| Utilisations | (18) | (1,747) | (185) | **(1,950)** |
| Decrease | (172) | (1,230) | (18) | **(1,420)** |
| Reclassifications to liabilities associated with assets held for sale | (385) | (589) | (4,963) | **(5,937)** |
| Translation differences | (1,061) | (369) | (74) | **(1,504)** |
| Reclassifications | 211 | 209 | (340) | **80** |
| Other changes | - | - | - | |
| **Balance at 31 December 2017** | **25,226** | **2,051** | **5,018** | **32,295** |
| Including: | | | | |
| Non-current provisions | 24,925 | 802 | 3,699 | **29,426** |
| Current provisions | 301 | 1,249 | 1,319 | **2,869** |

| (EUR '000) | Quarry provision provision | Litigation provision | Other provisions | Total Provisions |
|---|---|---|---|---|
| **Balance at 1 January 2016** | **14,555** | **3,032** | **2,721** | **20,308** |
| Provisions | 639 | 4,604 | 5,101 | **10,344** |
| Utilisations | (242) | (115) | (431) | **(788)** |
| Decrease | (61) | (1,922) | (44) | **(2,027)** |
| Change in consolidation scope | 1,056 | 675 | - | 1,731 |
| Translation differences | (773) | (388) | (501) | **(1,662)** |
| Reclassifications | 141 | (225) | 279 | **195** |
| CCB PPA effect | 10,650 | - | - | 10,650 |
| **Balance at 31 December 2016** | **25,965** | **5,661** | **7,125** | **38,751** |
| Including: | | | | |
| Non-current provisions | 25,965 | 3,022 | 6,280 | **35,267** |
| Current provisions | - | 2,639 | 845 | **3,484** |

The provision for quarry restructuring is allocated for the cleaning and maintenance of quarries where raw materials are extracted, to be performed before the utilisation concession expires.

Other provisions mainly consist of environmental provisions totalling approximately EUR 1 million (31 December 2016: EUR 1.1 million) and provision for risks for corporate restructuring costs totalling approximately EUR 2.5 million.

## 16) Trade payables

The carrying amount of trade payables approximates their fair value; the caption breaks down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Suppliers | | 201,133 | 260,275 |
| Related parties | (note 34) | 58 | 270 |
| Advances | | 3,013 | 2,898 |
| **Trade payables** | | **204,204** | **263,443** |

## 17) Financial liabilities

Non-current and current financial liabilities are shown below:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Bank loans and borrowings | | 696,090 | 744,606 |
| Non-current loan liabilities - related parties | (note 34) | - | - |
| **Non-current financial liabilities** | | **696,090** | **744,606** |
| Bank loans and borrowings | | 11,023 | 24,194 |
| Current portion of non-current financial liabilities | | 41,994 | 26,507 |
| Current loan liabilities - related parties | (note 34) | - | - |
| Other loan liabilities | | 1,076 | 2,114 |
| Fair value of derivatives | | 8,683 | 12,534 |
| **Current financial liabilities** | | **62,776** | **65,349** |
| **Total financial liabilities** | | **758,866** | **809,955** |

The carrying amount of non-current and current financial liabilities approximates their fair value.

Non-current financial liabilities refer mainly to the loan agreement with a pool of banks, signed in October 2016 and amended in April 2017, to fund both the acquisitions made in 2016 and to refinance existing credit lines. At 31 December 2017, the outstanding financial exposure was EUR 637.9 million, composed as follows:

- *Facility A* (Term Loan) of EUR 315 million to be reimbursed over a five-year plan starting from 25 October 2016; At 31 December 2017, EUR 296.9 million of this line of credit had been used.
- *Facility B* (Term Loan) of EUR 330 million to be reimbursed in a single instalment in October 2021. At 31 December 2017, this line of credit had been used in full.
- Facility C (RCF - Revolving Credit Facility) of EUR 150 million, fully repayable at the end of the fifth year after 25 October 2016. At 31 December 2017, EUR 11 million of this line of credit had been used as an "ancillary facility".

Non-current financial liabilities include to loan repayments on the 15-year, EUR 150 million loan signed in 2013 by the Danish subsidiary Aalborg Portland A/S.

Derivatives purchased to hedge interest rate, commodity price and currency risks connected with liabilities falling due between March 2018 and February 2027 had a negative fair value of approximately EUR 8.7 million at 31 December 2017 (31 December 2016: approximately negative EUR 12.5 million).
Approximately 97.5% of financial liabilities are subject to financial covenants, which the Group complied with at 31 December 2017.

The Group's exposure, broken down by residual expiry of the financial liabilities, is as follows:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Within three months | 8,867 | 29,703 |
| Between three months and one year | 53,909 | 35,646 |
| Between one and two years | 253,135 | 358,918 |
| Between two and five years | 383,409 | 315,063 |
| After five years | 59,546 | 70,625 |
| **Total financial liabilities** | **758,866** | **809,955** |

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Floating rate | 758,812 | 807,372 |
| Fixed rate | 54 | 2,583 |
| **Financial liabilities** | **758,866** | **809,955** |

As required by CONSOB Communication No. 6064293 of 28 July 2006, the Group's net financial debt is shown in the next table:

| (EUR '000) | 31.12.2017* | 31.12.2017** | 31.12.2016 |
|---|---|---|---|
| A. Cash | 415 | 399 | 707 |
| B. Other cash equivalents | 240,056 | 214,129 | 243,318 |
| C. Securities held for trading | - | - | - |
| **D. Cash and cash equivalents** | **240,471** | **214,528** | **244,025** |
| **E. Current loan assets** | **2,092** | **1,067** | **3,491** |
| F. Current bank loans and borrowings | (31,344) | (11,023) | (24,194) |
| G. Current portion of non-current debt | (32,439) | (32,439) | (15,328) |
| H. Other current loan liabilities | (19,314) | (19,314) | (25,826) |
| **I. Current financial debt (F+G+H)** | **(83,097)** | **(62,776)** | **(65,348)** |
| **J. Net current financial position (debt) (I-E-D)** | **159,466** | **152,819** | **182,168** |
| K. Non-current bank loans and borrowings | **(696,090)** | **(696,090)** | **(744,606)** |
| L. Bonds issued | - | | - |
| M. Other non-current liabilities | - | | - |
| **N. Non-current financial debt (K+L+M)** | **(696,090)** | **(696,090)** | **(744,606)** |
| **O. Net financial debt (J+N)** | **(536,624)** | **(543,271)** | **(562,438)** |

**18) Current tax liabilities**

Current tax liabilities amounted to EUR 16,420 thousand (31 December 2016: EUR 16,769 thousand) and relate to income tax payable, net of payments on account.

**19) Other non-current and current liabilities**

Other non-current liabilities, totalling EUR 5,020 thousand (31 December 2016: EUR 10,084 thousand) included approximately EUR 4.9 million of deferred income (31 December 2016: EUR 5.8 million) relating to future benefits from a business agreement which started to accrue from 1 January 2013, of which EUR 3.3 million is expected within the next five years and EUR 1.6 million (31 December 2016: EUR 2.5 million) is expected after five years.

* For full disclosure, Net financial debt including the financial assets and liabilities of the Italian operating companies held for sale is reported.

** Net financial debt excluding the financial assets and liabilities of the Italian operating companies held for sale.

Other current liabilities totalled EUR 44,850 thousand (31 December 2016: EUR 66,110 thousand) and break down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Personnel | | 24,857 | 28,167 |
| Social security institutions | | 3,658 | 5,251 |
| Related parties | (note 34) | 58 | - |
| Deferred income | | 1,271 | 977 |
| Accrued expenses | | 1,361 | 1,675 |
| Other sundry liabilities | | 13,645 | 30,040 |
| **Other current liabilities** | | **44,850** | **66,110** |

Deferred income refers to the future benefits of the above-mentioned business agreement (approximately EUR 1.3 million; EUR 0.9 million at 31 December 2016).

Other sundry liabilities principally consisted of tax liabilities for employee withholdings, VAT liabilities and liabilities for unpaid dividends.

### 20) Deferred tax assets and liabilities

Deferred tax liabilities totalling EUR 127,544 thousand (31 December 2016: EUR 154,240 thousand) and deferred tax assets totalling EUR 33,778 thousand (31 December 2016: EUR 80,870 thousand) break down as follows:

| (EUR '000) | Deferred tax liabilities | Deferred tax assets |
|---|---|---|
| **Balance at 1 January 2017** | **154,240** | **80,870** |
| Accrual, net of utilisation in profit or loss | (20,931) | 1,283 |
| Increase, net of decreases in equity | 1,717 | 618 |
| Change in consolidation scope | - | - |
| Translation differences | (5,047) | (1,684) |
| Other changes | (2,020) | (1,999) |
| Reclassifications to assets/liabilities held for sale | (415) | (45,308) |
| **Balance at 31 December 2017** | **127,544** | **33,778** |

| (EUR '000) | Deferred tax liabilities | Deferred tax assets |
|---|---|---|
| **Balance at 1 January 2016** | **71,750** | **63,006** |
| Accrual, net of utilisation in profit or loss | 6,083 | 11,799 |
| Increase, net of decreases in equity | 388 | 91 |
| Change in consolidation scope | 78,647 | 20 |
| Translation differences | (10,594) | (1,629) |
| Other changes | (12) | (13) |
| CCB PPA effect | 7,978 | 7,596 |
| **Balance at 31 December 2016** | **154,240** | **80,870** |

| (EUR'000) | **01.01.2017** | Accrual, net of utilisation in profit or loss | Increase, net of decreases in equity | **31.12.2017** |
|---|---|---|---|---|
| Fiscally-driven depreciation of property, plant and equipment | 106,969 | (19,574) | (4,763) | 82,632 |
| Fiscally-driven amortisation of intangible assets | 32,933 | (7,503) | (1,395) | 24,035 |
| Revaluation of plant | 9,078 | 2,664 | 400 | 12,142 |
| Other | 5,260 | 3,482 | (7) | 8,735 |
| **Deferred tax liabilities** | **154,240** | (20,931) | (5,765) | **127,544** |
| Tax losses carried forward | 53,121 | 4,162 | (34,152) | 23,131 |
| Provisions for risks and charges | 6,225 | (95) | (4,515) | 1,615 |
| Differences in property, plant and equipment | 10,095 | (4,796) | (3,550) | 1,749 |
| Other | 11,429 | 2,012 | (6,158) | 7,283 |
| **Deferred tax assets** | **80,870** | 1,283 | (48,375) | **33,778** |

| (EUR'000) | **01.01.2016** | Accrual, net of utilisation in profit or loss | Increase, net of decreases in equity | **31.12.2016** |
|---|---|---|---|---|
| Fiscally-driven depreciation of property, plant and equipment | 32,189 | 2,919 | 71,861 | 106,969 |
| Fiscally-driven amortisation of intangible assets | 15,841 | (272) | 17,364 | 32,933 |
| Revaluation of plant | 10,382 | (758) | (546) | 9,078 |
| Other | 13,338 | 4,194 | (12,272) | 5,260 |
| **Deferred tax liabilities** | **71,750** | 6,083 | 76,407 | **154,240** |
| Tax losses carried forward | 48,316 | 6,725 | (1,921) | 53,121 |
| Provisions for risks and charges | 7,633 | 2,155 | (3,562) | 6,225 |
| Differences in property, plant and equipment | | 2,482 | 7,613 | 10,095 |
| Other | 7,057 | 437 | 3,935 | 11,429 |
| **Deferred tax assets** | **63,006** | 11,799 | 6,065 | **80,870** |

The Group expects to recover deferred tax assets over the coming years within the timeframe defined by the relevant legislation.

### 21) Revenue

| (EUR '000) | | **2017** | **2016** |
|---|---|---|---|
| Product sales | | 1,038,483 | 843,533 |
| Product sales to related parties | (note 34) | 21,002 | 18,899 |
| Services | | 80,521 | 63,374 |
| **Revenue** | | **1,140,006** | **925,806** |

Revenue in 2017 was up 23% compared to 2016 due to the change in the scope of consolidation, which resulted in an increase in revenue of about EUR 214 million. Specifically, in 2017, the revenue of the CCB group amounted to EUR 233.6 million (EUR 38.7 million in 2016, consolidated as of 25 October 2016).

On a like-for-like basis, revenue increased 1.7% compared to 2016, despite the negative impact of exchange rates, above all in Turkey and Egypt.

**22) Increase for internal work and other operating revenue**

Increase for internal work of EUR 7,344 thousand (EUR 7,660 thousand in 2016) refers to the capitalisation of material and personnel costs used in the realisation of property, plant and equipment and intangible fixed assets.

Other operating revenue of EUR 22,071 thousand (EUR 24,394 thousand in 2016) breaks down as follows:

| (EUR '000) | | **2017** | **2016** |
|---|---|---|---|
| Rent, lease and hires | | 1,371 | 1,336 |
| Rent, lease and hires - related parties | (note 34) | 32 | 32 |
| Gains | | 849 | 1,150 |
| Release of provision for risks | | 1,420 | 95 |
| Insurance refunds | | 3,764 | 135 |
| Revaluation of investment property | (note 4) | 10,081 | - |
| Income from purchase price allocation | (note 31) | - | 15,078 |
| Other revenue and income | | 4,548 | 5,619 |
| Other revenue and income from related parties | (note 34) | 6 | 949 |
| **Other operating revenue** | | **22,071** | **24,394** |

**23) Raw materials costs**

| (EUR '000) | **2017** | **2016** |
|---|---|---|
| Raw materials and semi-finished products | 234,062 | 199,770 |
| Fuel | 106,677 | 67,025 |
| Electrical energy | 75,142 | 69,031 |
| Other materials | 41,388 | 36,361 |
| Change in raw materials, consumables and goods | (13,108) | (2,576) |
| **Raw materials costs** | **444,161** | **369,611** |

The cost of raw materials was EUR 444.2 million, up due to the change in the scope of consolidation (EUR 62.3 million in 2017 and EUR 11.1 million in 2016), the general increase in fuel purchase prices and higher production volumes of cement in Denmark, Turkey and Egypt, and of ready-mixed concrete in Denmark, Sweden and Norway, despite a positive exchange rate effect of EUR 40.7 million.

### 24) Personnel costs

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Wages and salaries | 139,086 | 115,049 |
| Social security charges | 26,080 | 17,816 |
| Other costs | 9,582 | 6,754 |
| **Personnel costs** | **174,748** | **139,619** |

The Group's workforce breaks down as follows:

| | 31.12.2017 | 31.12.2016 | 2017 average | 2016 average |
|---|---|---|---|---|
| Executives | 68 | 68 | 86 | 65 |
| Middle management, white collars and intermediates | 1,293 | 1,309 | 1,549 | 1,410 |
| Blue collars | 1,660 | 1,625 | 1,905 | 1,619 |
| **Total** | **3,021** | **3,002** | **3,540** | **3,094** |

At 31 December 2017, employees in service at the parent and the other direct subsidiaries numbered 82; those at the Cimentas Group numbered 885 (31 December 2016: 919), those at the Aalborg Portland Group numbered 913 (31 December 2016: 879), those at the Unicon Group numbered 670 (31 December 2016: 663), and those at the CCB Group numbered 471 (31 December 2016: 457).

### 25) Other operating costs

| (EUR '000) | | 2017 | 2016 |
|---|---|---|---|
| Transport | | 139,436 | 93,563 |
| Services and maintenance | | 95,187 | 80,623 |
| Consultancy | | 10,435 | 7,265 |
| Insurance | | 5,048 | 4,401 |
| Other services - related parties | (note 34) | 510 | 514 |
| Rent, lease and hires | | 21,648 | 18,128 |
| Rent, lease and hires - related parties | (note 34) | 170 | 152 |
| Other operating costs | | 56,004 | 36,469 |
| **Other operating costs** | | **328,438** | **241,115** |

### 26) Amortisation, depreciation, impairment losses and provisions

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Amortisation | 12,334 | 4,946 |
| Depreciation | 60,256 | 57,148 |
| Provisions | 3,865 | 3,158 |
| Impairment losses | 5,677 | 7,684 |
| **Amortisation, depreciation, impairment losses and provisions** | **82,132** | **72,936** |

Impairment losses include EUR 2.2 million in losses on trade receivables and EUR 3.5 million in losses recognised in property, plant and equipment (note 3).

### 27) Net financial income (expense) and share of net profits of equity-accounted investees

The negative balance for 2017 of EUR 13,912 thousand (2016: positive EUR 24,266 thousand) relates to the share of net profits of equity-accounted investees and net financial income, broken down as follows:

| (EUR '000) | | 2017 | 2016 |
|---|---|---|---|
| Share of profits of equity-accounted investees | | 5,431 | 6,452 |
| Share of losses of equity-accounted investees | | (646) | (1,325) |
| **Share of net profits of equity-accounted investees** | | **4,785** | **5,127** |
| Interest and financial income | | 3,657 | 2,810 |
| Interest and financial income - related parties | (note 34) | 16 | 22 |
| Grants related to interest | | - | - |
| Financial income on derivatives | | 9,795 | 581 |
| *Total financial income* | | *13,468* | *3,413* |
| Interest expense | | (19,524) | (9,928) |
| Other financial expense | | (7,265) | (3,207) |
| Interest and financial expense - related parties | (note 34) | - | (652) |
| Losses on derivatives | | (127) | (2,502) |
| *Total financial expense* | | *(26,916)* | *(16,289)* |
| Exchange rate gains | | 5,423 | 46,775 |
| Exchange rate losses | | (10,672) | (14,760) |
| *Net exchange rate gains (losses)* | | *(5,249)* | *32,015* |
| **Net financial income (expense)** | | **(18,697)** | **19,139** |
| **Net financial income (expense) and share of net profits of equity-accounted investees** | | **(13,912)** | **24,266** |

In 2017, net financial expense was EUR 18.7 million (net financial income of EUR 19.1 million in the previous year), this was driven by the increase in financial expense (EUR 26.9 million compared to EUR 16.3 million in 2016) incurred due to the Group's new debt structure and exchange rate losses, partly offset by the increase in financial income, gains on derivatives purchased to hedge commodities, currencies and exchange rates (positive EUR 9.8 million compared to EUR 0.6 million in 2016).

The share of net profits of equity-accounted investees was EUR 4.8 million, substantially stable with the previous year.

Financial income and expense from derivatives mainly reflect the mark-to-market accounting of derivatives purchased to hedge currency, interest rate and commodities risks. In light of the aforementioned measurements, around EUR 5.4 million (31 December 2016: around EUR 0.2 million) are unrealised gains and around EUR 0.1 million (31 December 2016: around EUR 0.6 million) are unrealised losses.

## 28) Income taxes

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Current taxes | 38,606 | 40,909 |
| Deferred taxes | (22,213) | (18) |
| **Income taxes** | **16,393** | **40,891** |

The following table shows the difference between the theoretical and effective tax rates:

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| **Theoretical tax expense** | **19,303** | **20,546** |
| Taxable permanent differences | 3,554 | 5,436 |
| Deductible permanent differences | (903) | (2,966) |
| Tax consolidation scheme | 1,193 | 1,510 |
| Other changes | (7,123) | 8,892 |
| Effective IRAP tax expense | 369 | (172) |
| **Income taxes** | **16,393** | **33,246** |

## 29) Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to the owners of the parent by the weighted average number of ordinary shares outstanding in the year.

| (EUR) | 2017 | 2016 |
|---|---|---|
| Profit for the year attributable to the owners of the parent (EUR '000) | 71,471 | 67,270 |
| Weighted average number of outstanding ordinary shares ('000) | 159,120 | 159,120 |
| **Basic earnings per share** | **0.449** | **0.423** |

Diluted earnings per share equal the basic earnings per share as the only outstanding shares are the parent's ordinary shares.

*Capital management*

The Group distributes dividends in consideration of its existing financial resources and funding required for its ongoing development.

## 30) Other comprehensive income (expense)

The following table gives a breakdown of other comprehensive income (expense), including and excluding the related tax effect:

| (EUR '000) | 2017 Pre-tax amount | 2017 Tax effect | 2017 Post-tax amount | 2016 Pre-tax amount | 2016 Tax effect | 2016 Post-tax amount |
|---|---|---|---|---|---|---|
| Net actuarial gains (losses) on post-employment benefits | (3,123) | (226) | **(3,349)** | 999 | (243) | **756** |
| Net exchange rate losses on translation of foreign operations | (91,409) | - | **(91,409)** | (144,253) | - | **(144,253)** |
| Financial instruments | (1,598) | 472 | **(1,126)** | - | - | **-** |
| Actuarial gains (losses) on post-employment benefits from discontinued operations | 149 | (41) | **108** | 185 | (55) | **130** |
| **Total other comprehensive income (expense)** | **(95,981)** | **205** | **(95,776)** | **(143,069)** | **(298)** | **(143,367)** |

## 31) Company acquisitions and sales

### ACQUISITION OF COMPAGNIE DES CIMENTS BELGES

On 25 October 2016 - through the subsidiary Aalborg Portland Holding - the Group finalised the acquisition of 100% of the share capital of Compagnie des Ciments Belges SA (CCB) from Ciments Français SAS, a subsidiary of HeidelbergCement. The CCB Group is one of the main producers of construction materials in Belgium and is active in the cement, ready-mixed concrete and aggregates sector. On the acquisition date, the organisational chart of the CCB Group included, apart from the Parent, Compagnie des Ciments Belges SA, the following companies:

- De Paepe Beton NV (100%)
- Trabel Transports S.A. (100%)
- Trabel Affretement S.A. (100%)
- Compagnie des Ciments Belges France (CCBF) (100%)
- Société des Carrières du Tournaisis SA (65%)
- Recybel SA (25.5%)
- Mixers at your Service NV (18%)

In order to meet the commitments arising from the aforementioned acquisition, on 21 October 2016, Cementir Holding SpA took out a bridge loan of EUR 330 million granted by a bank syndicate. This liquidity was used to finance the subsidiary Aalborg Portland Holding A/S in order to complete the acquisition transaction. The transaction is classified as a business combination and has been treated in accordance with IFRS 3. At the reporting date, the calculation of the fair value of the assets acquired and the liabilities assumed had been completed. The consideration paid for the acquisition of control of the CCB Group – which has been paid in full – amounted to EUR 347.6 million, while the fair value of net assets at the date of acquisition of control was EUR 304.4 million.

The following table shows the fair values of the net assets acquired at the acquisition date:

| (EUR '000) | Provisional amounts at 31.10.2016 | Adjustments | Fair value as at 31.10.2016 |
|---|---|---|---|
| Intangible assets with a finite useful life | 39,147 | 54,269 | 93,416 |
| Property, plant and equipment | 331,208 | (27,658) | 303,550 |
| Equity investments | 281 | - | 281 |
| Non-current financial assets | 200 | - | 200 |
| Deferred tax assets | 20 | 7,596 | 7,616 |
| Inventories | 26,225 | - | 26,225 |
| Trade receivables | 48,616 | - | 48,616 |
| Current tax assets | 2,260 | - | 2,260 |
| Other current assets | 13,566 | (8,477) | 5,089 |
| Employee benefits | (22,073) | - | (22,073) |
| Other non-current provisions | (1,732) | (10,650) | (12,382) |
| Deferred tax liabilities | (78,647) | (7,978) | (86,625) |
| Trade payables | (39,202) | - | (39,202) |
| Current tax liabilities | (9,973) | - | (9,973) |
| Other current liabilities | (8,044) | (4,594) | (12,638) |
| **Net assets acquired** | **301,852** | **2,508** | **304,360** |
| **Consideration net of available cash** | **286,774** | | **289,282** |
| **Effect of bargain purchase gain** (Bargain purchase gain) (note 22) | **15,078** | | **15,078** |

The fair value recognition of the assets acquired and liabilities assumed in the acquisition entailed the following accounting effects:

- **Intangible assets with a finite useful life**: i) allocation of the fair value to French and Belgian markets customer relationship by approx. EUR 49m against EUR 34.3m preliminarily recognised at the acquisition date, and based on the customer turnover rate, a remaining useful life has been considered at 15 and 20 years respectively, ii) allocation of the fair value of Milieu extraction rights relating to the non-owned quarry by EUR 44m, recognised at the acquisition date in the tangible assets, iii) other minor adjustments have reduced the value of intangible assets by EUR 4.6m.
- **Property, plant and equipment**: i) allocation of the fair value on land and buildings by approx. EUR 35.2m, ii) reduction in the original value of quarries by a total of EUR 51.6m, iii) other minor adjustments have reduced the value of tangible assets by EUR 11.1m.

In addition, a liability related to quarry rehabilitation costs was recorded at EUR 10.5m. Lastly, deferred tax related to net assets in the PPA was recognised at approx. EUR -0.4m.

The definitive calculation of the fair value of the net assets acquired, carried out with the assistance of external experts, confirmed the EUR 15,078 thousand recognised as income (Bargain purchase) in the consolidated financial statements at 31 December 2016 and classified under the item "Other operating revenue".

During 2017, the CCB Group generated revenue of EUR 233.6 million and a profit of EUR 35.5 million. The Directors believe that, had the acquisition taken place on 1 January 2016, Cementir Group's consolidated revenue and profit would have been higher by around EUR 225 million and EUR 10 million, respectively.

In 2017, Compagnie des Ciments Belges France SAS (CCBF), indirectly 100% owned by Cementir Holding SpA, completed the acquisition of five ready-mixed concrete plants in northern France for EUR 2.7 million.

## 32) Financial risks

*Credit risk*

The Group’s maximum exposure to credit risk at 31 December 2017 equals the carrying amount of loans and receivables recognised in the statement of financial position.

Given the sector’s collection times and the Group’s procedures for assessing customers’ creditworthiness, the percentage of disputed receivables is low. If an individual credit position shows irregular payment trends, the Group blocks further supplies and takes steps to recover the outstanding amount.

Recoverability is assessed considering any collateral pledged that legally can be attached and advice from legal advisors who oversee collection procedures. The Group impairs all receivables for which a loss is probable at the reporting date, based on whether the entire amount or a part thereof will not be recovered.

Notes 8 and 11 provide information on trade and other receivables.

*Liquidity risk*

The Group has credit facilities which cover any unforeseen requirements.

Note 17 Financial Liabilities provides a breakdown of financial liabilities by due date.

*Market risk*

Information necessary to assess the nature and scope of financial risks at the reporting date is provided in this section.

### Currency risk

The Group is exposed to the risk of fluctuations in exchange rates, which may affect its earnings performance and equity.

With respect to the main effects of consolidating foreign companies, if the exchange rates for the Turkish lira (TRY), Norwegian krone (NOK), Swedish krona (SEK), US dollar (USD), Chinese Renminbi-Yuan (CNY), Malaysian ringgit (MYR) and Egyptian pound (EGP) were an average 10% below the effective exchange rate, the translation of equity would have generated a decrease of EUR 60 million or approximately 6% in consolidated equity at 31 December 2017 (31 December 2016: decrease of EUR 67 million or approximately 6%). Other currency risks connected with the consolidation of other foreign companies are negligible.

The Group is mainly exposed to currency risk in relation to operating profit from sales and purchases in TRY, DKK, EGP and NOK. A hypothetical decrease of 10% in all these exchange rates (excluding the DKK) would have lowered EBITDA by EUR 11.4 million (2016: EUR 12.2 million).

At 31 December 2017, risks connected with main receivables and payables in foreign currency related to those in TRY, DKK, NOK, SEK and USD. Assuming an average drop of 10% in all the exchange rates, the potential effect of the fluctuation, excluding the DKK, would be negative for approximately EUR 2.9 million (31 December 2016: negative for approximately EUR 1.6 million). Similarly, a hypothetical increase in exchange rates would have an identical positive effect.

### Interest rate risk

The Group is exposed to the risk of fluctuations in interest rates. Consolidated net financial debt at 31 December 2017 totalled EUR 543.3 million (31 December 2016: EUR 562.4 million) and is subject to floating interest rates.

Assuming all the other variables remain stable, an annual 1% increase in interest rates, for all the currencies in which the Group has borrowings, would have had a negative effect on profit before taxes of EUR 5.5 million (31 December 2016: EUR 3.9 million) and on equity of EUR 4.1 million (31 December 2016: EUR 2.9 million) with respect to the floating rates applicable to the Group’s loans and cash and cash equivalents. A similar decrease in interest rates would have an identical positive impact.

## 33) Fair value hierarchy

IFRS 13 requires that financial instruments carried at fair value be classified using a hierarchy which reflects the sources of the inputs used to measure their fair value. The hierarchy consists of the following levels:

- Level 1: measurement of fair value using quoted prices on active markets for identical assets or liabilities.
- Level 2: measurement of fair value using inputs other than the quoted prices included within Level 1 which are directly observable (such as prices) or indirectly observable (i.e., derived from prices) on the market.
- Level 3: measurement of fair value using inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of assets and liabilities is classified as follows:

| **31 December 2017** (EUR '000) | **Note** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| Investment property | 4 | - | 65,969 | 29,125 | **95,094** |
| Current financial assets (derivative instruments) | 9 | - | 335 | - | **335** |
| **Total assets** | | **-** | **66,304** | **29,125** | **95,429** |
| Current financial liabilities (derivative instruments) | 17 | - | (8,683) | | **(8,683)** |
| **Total liabilities** | | **-** | **(8,683)** | | **(8,683)** |

| **31 December 2016** (EUR '000) | **Note** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|---|
| Investment property | 4 | - | 69,698 | 29,125 | **98,823** |
| Current financial assets (derivative instruments) | 9 | - | 205 | - | **205** |
| **Total assets** | | **-** | **69,903** | **29,125** | **99,028** |
| Current financial liabilities (derivative instruments) | 17 | - | (12,534) | - | **(12,534)** |
| **Total liabilities** | | **-** | **(12,534)** | **-** | **(12,534)** |

No transfers among the levels took place during 2017 and no changes in level 3 were made.

## 34) Related-party transactions

On 5 November 2010, the Board of Directors of Cementir Holding SpA approved and subsequently updated a new procedure for related-party transactions complying with Consob guidelines, issued pursuant to Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions thereto, designed to ensure the transparency and the substantial and procedural fairness of related-party transactions within the Group. The procedure is published on the corporate website www.cementirholding.it.

Transactions performed by group companies with related parties are part of normal business operations and take place at arm's-length conditions. No atypical or unusual transactions took place. The following tables show the value of related-party transactions:

| 31 December 2017<br><br>(EUR '000) | Ultimate parent | Associates | Companies under common control | Other related parties | Total related parties | Total financial state-ments caption | % of caption |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| Current financial assets | | | | | | | |
| Other current assets | | | | | | | |
| Other non-current assets | | | | | | | |
| Trade receivables | 25 | 3,063 | 2,805 | - | **5,893** | **160,629** | 3.7% |
| Cash and cash equivalents | - | - | - | - | **-** | **-** | - |
| Trade payables | - | 4 | 54 | - | **58** | **204,204** | 0.03% |
| Other non-current liabilities | | | | | | | |
| Other current liabilities | - | - | 58 | - | **58** | **44,850** | 0.1% |
| Non-current financial liabilities | | | | | | | |
| Current financial liabilities | - | - | - | | | | |
| **Income statement** | | | | | | | |
| Revenue | - | 20,361 | 641 | - | **21,002** | **1,140,006** | 1.8% |
| Other operating revenue | - | - | 38 | - | **38** | **22,071** | 0.2% |
| Other operating costs | 450 | - | 230 | - | **680** | **328,438** | 0.2% |
| Financial income | - | 16 | - | - | **16** | **13,468** | 0.1% |
| Financial expense | - | - | - | | | | |

| 31 December 2016<br><br>(EUR '000) | Ultimate parent | Associates | Companies under common control | Other related parties | Total related parties | Total financial state-ments caption | % of caption |
|---|---|---|---|---|---|---|---|
| **Statement of financial position** | | | | | | | |
| Current financial assets | - | - | - | - | **-** | **-** | - |
| Other current assets | - | 3,672 | - | - | **3,672** | **56,994** | 6.4% |
| Other non-current assets | - | - | 2,713 | - | **2,713** | **11,075** | 24.5% |
| Trade receivables | 50 | 3,471 | 3,425 | - | **6,946** | **236,498** | 2.9% |
| Cash and cash equivalents | - | - | - | - | **-** | **-** | |
| Trade payables | - | 145 | 125 | - | **270** | **263,443** | 0.1% |
| Other non-current liabilities | - | 1,718 | - | - | **1,718** | **10,084** | 17.0% |
| Non-current financial liabilities | - | - | - | - | **-** | **-** | - |
| Current financial liabilities | - | - | - | - | **-** | **-** | - |
| **Income statement** | | | | | | | |
| Revenue | - | 18,570 | 329 | - | **18,899** | **925,806** | 2.0% |
| Other operating revenue | - | - | 981 | - | **981** | **24,395** | 4.0% |
| Other operating costs | 450 | - | 216 | - | **666** | **241,115** | 0.3% |
| Financial income | - | 22 | - | - | **22** | **3,412** | 0.6% |
| Financial expense | - | - | 652 | - | **652** | **16,289** | 4.0% |

The main related-party transactions are summarised below.

Business transactions with associates concern the sale of products and semi-finished products (cement and clinkers) at arm's-length conditions. Revenue and costs connected with business transactions with the ultimate parent and companies under common control include various services, such as leases. There are no non-current financial liabilities with related parties.

The Group did not grant loans to directors, statutory auditors or key management personnel during the reporting period and did not have loan assets due from them at 31 December 2017.

As at 31 December 2017, fees due to directors and key management personnel stood at EUR 6,254 thousand.

**35) Independent auditors' fees**

Fees paid in 2017 by the parent Cementir Holding SpA and its subsidiaries to the independent auditors and their network totalled approximately EUR 1,408 thousand (2016: EUR 1,280 thousand), including EUR 1,029 thousand for auditing (2016: EUR 853 thousand) and EUR 379 thousand for other services (2016: EUR 427 thousand).

### 36) Events after the reporting period

On 2 January 2018, Cementir Holding S.p.A. finalised the sale of 100% of the share capital of Cementir Italia S.p.A., including its wholly-owned subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A. (Cementir Italia group) to Italcementi S.p.A., a wholly-owned subsidiary of HeidelbergCement AG.
The enterprise value of the transaction was EUR 315 million on a cash and debt-free basis and the amount was received in full on that date. The price shall be adjusted in line with the terms of the transfer agreement.
On 7 February 2018, the credit line *Facility A* (Term Loan) was repaid for EUR 194.7 million.
On 14 February 2018, an agreement was signed between the US subsidiary Aalborg Cement Company Inc and Lehigh Cement Company LLC, a subsidiary of HeidelbergCement AG, for the acquisition of a further 38.75% of Lehigh White Cement Company ("LWCC"), which is the leading producer and distributor of white cement in the United States, for a total of USD 106.6 million dollars, on a cash and debt-free basis.
As a result of this transaction, the Cementir Group will take control of LWCC with a stake of 63.25%. The acquisition will be financed by available cash and credit facilities.
Closing should take place by the end of March 2018, subject to the usual conditions. Authorisation from the Antitrust Authority has already been obtained.
LWCC owns two plants for the production of white cement located in Waco (Texas) and York (Pennsylvania), with a total production capacity of around 255,000 tons per year, operating through a distribution network in the United States that enables it to sell white cement imported from its owners across North America.
In 2017, LWCC generated revenue of approximately USD 149 million and EBITDA of USD 26 million (preliminary figures not approved by the Board of Directors) with a total of 140 employees.
The ownership interest already held will be remeasured at fair value at the date of the transaction and in accordance with IFRS 3. For a breakdown of the carrying amounts at 31 December 2017 of the acquired company, refer to note 5.

No other significant events occurred after the end of the year.

# ANNEX

## Annex 1

### List of equity investments at 31 December 2017

| Company name | Registered office | Share/quota capital | Cur-rency | Type of investment % Direct | Type of investment % Indirect | Investment held through Group companies | Consolidation method |
|---|---|---|---|---|---|---|---|
| Cementir Holding SpA | Rome (Italy) | 159,120,000 | EUR | | | Parent | Line-by-line |
| Aalborg Cement Company Inc. | Dover (USA) | 1,000 | USD | | 100 | Aalborg Portland US Inc. | Line-by-line |
| Aalborg Portland Holding A/S | Aalborg (Denmark) | 300,000,000 | DKK | | 75<br>25 | Cementir España SL<br>Globocem SL | Line-by-line |
| Aalborg Portland A/S | Aalborg (Denmark) | 100,000,000 | DKK | | 100 | Aalborg Portland Holding A/S | Line-by-line |
| Aalborg Portland Belgium SA | Etterbeek (B) | 500,000 | EUR | | 100 | Aalborg Portland A/S | Line-by-line |
| Aalborg Portland España SL | Madrid (Spain) | 3,004 | EUR | | 100 | Aalborg Portland Holding A/S | Line-by-line |
| Aalborg Portland France SAS | Paris (France) | 10,010 | EUR | | 100 | Aalborg Portland A/S | Line-by-line |
| Aalborg Portland Islandì EHF | Kopavogur (Iceland) | 303,000,000 | ISK | | 100 | Aalborg Portland A/S | Line-by-line |
| Aalborg Portland Malaysia Sdn Bhd | Perak (Malaysia) | 95,400,000 | MYR | | 70 | Aalborg Portland Holding A/S | Line-by-line |
| Aalborg Portland Polska Spzoo | Warsaw (Poland) | 100,000 | PLN | | 100 | Aalborg Portland A/S | Line-by-line |
| Aalborg Portland US Inc. | Dover (USA) | 1,000 | USD | | 100 | Aalborg Portland Holding A/S | Line-by-line |
| Aalborg Portland (Anqing) Co Ltd | Anqing (China) | 265,200,000 | CNY | | 100 | Aalborg Portland Holding A/S | Line-by-line |
| Aalborg Portland (Australia) Pty Ltd | Sydney (Australia) | 1,000 | AUD | | 100 | Aalborg Portland Malaysia Sdn Bhd | Line-by-line |
| Aalborg Portland OOO | St. Petersburg (Russia) | 14,700,000 | RUB | | 99.9<br>0.1 | Aalborg Portland A/S<br>Aalborg Portland Holding A/S | Line-by-line |
| Aalborg Resources Sdn Bhd | Perak (Malaysia) | 2,543,972 | MYR | | 100 | Aalborg Portland Malaysia Sdn Bhd | Line-by-line |
| AB Sydsten | Malmö (Sweden) | 15,000,000 | SEK | | 50 | Unicon A/S | Line-by-line |
| AGAB Syd Aktiebolag | Malmö (Sweden) | 500,000 | SEK | | 40 | AB Sydsten | Equity |
| Alfacem Srl | Rome (Italy) | 1,010,000 | EUR | 99.99 | | Cementir Holding SpA | Line-by-line |
| Basi 15 Srl | Rome (Italy) | 400,000 | EUR | 100 | | Cementir Holding SpA | Line-by-line |
| Betontir SpA | Rome (Italy) | 104,000 | EUR | | 100 | Cementir Italia SpA | Line-by-line |
| Cementir Sacci SpA | Rome (Italy) | 40,000,000 | EUR | | 100 | Cementir Italia SpA | Line-by-line |
| Cementir España SL | Madrid (Spain) | 3,007 | EUR | 100 | | Cementir Holding SpA | Line-by-line |
| Cementir Italia SpA | Rome (Italy) | 80,000,000 | EUR | 100 | | Cementir Holding SpA | Line-by-line |
| Cimbeton AS | Izmir (Turkey) | 1,770,000 | TRY | | 50.28<br>0.06 | Cimentas AS<br>Kars Cimento AS | Line-by-line |
| Cimentas AS | Izmir (Turkey) | 87,112,463 | TRY | | 97.8<br>0.12<br>0.48 | Aalborg Portland España SL<br>Cimbeton AS<br>Kars Cimento AS | Line-by-line |
| Compagnie des Ciments Belges SA | Gaurain (Belgium) | 179,344,485 | EUR | | 100 | Aalborg Portland Holding A/S | Line-by-line |

## Annex 1 *(cont'd)*

| Company name | Registered office | Share/quota capital | Cur-rency | Type of investment % Direct | % Indirect | Investment held through Group companies | Consolidation method |
|---|---|---|---|---|---|---|---|
| Compagnie des Ciments Belges France SAS (CCBF) | Guerville (France) | 34,363,400 | EUR | | 100 | Compagnie des Ciments Belges SA | Line-by-line |
| Destek AS | Izmir (Turkey) | 50,000 | TRY | | 99.99 | Cimentas AS | Line-by-line |
| | | | | | 0.01 | Cimentas Foundation | |
| De Paepe Beton NV | Gent (Belgium) | 500,000 | EUR | | 100 | Compagnie des Ciments Belges SA | Line-by-line |
| ECOL Unicon Spzoo | Gdansk (Poland) | 1,000,000 | PLN | | 49 | Unicon A/S | Equity |
| Environmental Power International (UK R&D) Limited | Trowbridge (Great Britain) | 100 | GBP | | 50 | Recydia AS | Equity |
| Everts Betongpump & Entreprenad AB | Halmstad (Sweden) | 100,000 | SEK | | 100 | AB Sydsten | Line-by-line |
| Gaetano Cacciatore LLC | Somerville N.J. (USA) | - | USD | | 100 | Aalborg Cement Company Inc. | Line-by-line |
| Globocem SL | Madrid (Spain) | 3,007 | EUR | | 100 | Alfacem Srl | Line-by-line |
| Ilion Cimento Ltd. | Soma (Turkey) | 300,000 | TRY | | 100 | Cimbeton AS | Line-by-line |
| Kars Cimento AS | Kars (Turkey) | 3,000,000 | TRY | | 58.38 | Cimentas AS | Line-by-line |
| | | | | | 41.62 | Alfacem Srl | |
| Kudsk & Dahl A/S | Vojens (Denmark) | 10,000,000 | DKK | | 100 | Unicon A/S | Line-by-line |
| Lehigh White Cement Company– *J.V.* | Allentown (USA) | - | USD | | 24.5 | Aalborg Cement Company Inc. | Equity |
| Neales Waste Management Ltd | Lancashire (Great Britain) | 100,000 | GBP | | 100 | NWM Holdings Ltd | Line-by-line |
| NWM Holdings Ltd | Lancashire (Great Britain) | 5,000,001 | GBP | | 100 | Recydia AS | Line-by-line |
| Quercia Ltd | Lancashire (Great Britain) | 5,000,100 | GBP | | 100 | NWM Holdings Ltd | Line-by-line |
| Recybel SA | Liegi-Flemalle (Belgium) | 99,200 | EUR | | 25.5 | Compagnie des Ciments Belges SA | Equity |
| Recydia AS | Izmir (Turkey) | 551,544,061 | TRY | | 62.82 | Kars Cimento AS | Line-by-line |
| | | | | | 24.94 | Cimentas AS | |
| | | | | | 12.24 | Aalborg Portland Holding AS | |
| Sinai White Portland Cement Co. SAE | Cairo (Egypt) | 350,000,000 | EGP | | 66.42 | Aalborg Portland Holding A/S | Line-by-line |
| Skane Grus AB | Malmö (Sweden) | 1,000,000 | SEK | | 60 | AB Sydsten | Line-by-line |
| Société des Carrières du Tournaisis SA | Gaurain (Belgium) | 12,297,053 | EUR | | 65 | Compagnie des Ciments Belges SA | Proportional |
| Sola Betong AS | Risvika (Norway) | 9,000,000 | NOK | | 33.33 | Unicon AS | Equity |
| Spartan Hive SpA | Rome (Italy) | 300,000 | EUR | 100 | | Cementir Holding SpA | Line-by-line |
| Sureko AS | Izmir (Turkey) | 43,443,679 | TRY | | 100 | Recydia AS | Line-by-line |
| Svim 15 Srl | Rome (Italy) | 400,000 | EUR | 100 | | Cementir Holding SpA | Line-by-line |
| Trabel Affretement SA | Gaurain (Belgium) | 61,500 | EUR | | 100 | Compagnie des Ciments Belges SA | Line-by-line |
| Trabel Transports SA | Gaurain (Belgium) | 750,000 | EUR | | 100 | Compagnie des Ciments Belges SA | Line-by-line |
| Unicon A/S | Copenhagen (Denmark) | 150,000,000 | DKK | | 100 | Aalborg Portland Holding A/S | Line-by-line |
| Unicon AS | Sandvika (Norway) | 13,289,100 | NOK | | 100 | Unicon A/S | Line-by-line |
| Vianini Pipe Inc | Somerville N.J. (USA) | 4,483,396 | USD | | 99.99 | Aalborg Portland US Inc. | Line-by-line |

Rome, 8 March 2018

Chairman of the Board of Directors

Francesco Caltagirone Jr.
(signed on the original)

**Statement on the consolidated financial statements as per article 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto**

**1.** The undersigned Francesco Caltagirone Jr., Chairman of the Board of Directors, and Massimo Sala, as Manager responsible for financial reporting, of Cementir Holding SpA, hereby state, having also taken into consideration the provisions of Article 154-bis 3/4 of Legislative Decree 58 of 24 February 1998:

- the adequacy, in relation to the characteristics of the Group, and
- the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements as at and for the year ended 31 December 2017.

**2.** In this regard, there are no findings to report.

**3.** They also state that:

**3.1** The consolidated financial statements:

a) have been prepared in accordance with the applicable IFRS, as endorsed by the European Union as per Regulation (EC) No 1606/2002/EC of the European Parliament and of the Council of 19 July 2002;

b) are consistent with the entries in the accounting books and records;

c) provide a true and fair view of the financial position, financial performance and cash flows of the issuer and the companies included in the scope of consolidation.

**3.2** The directors' report, prepared for both the separate and consolidated financial statements, includes a reliable analysis of operations and operating results, in addition to the financial position of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 8 March 2018

| Chairman of the Board of Directors | Manager responsible for financial reporting |
|---|---|
| Francesco Caltagirone Jr.<br>(signed on the original) | Massimo Sala<br>(signed on the original) |

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**(Translation from the Italian original which remains the definitive version)**

# Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of*
*Cementir Holding S.p.A.*

## Report on the audit of the consolidated financial statements

### *Opinion*

We have audited the consolidated financial statements of the Cementir Holding Group (the "Group"), which comprise the statement of financial position as at 31 December 2017, the income statement and statements of other comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Cementir Holding Group as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Cementir Holding S.p.A. (the "Company") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of matter – Comparative figures

We draw attention to the "Basis of presentation" section of the notes to the consolidated financial statements about the restatement of certain prior year corresponding figures in accordance with IFRS 5 - "Non-current assets held for sale and discontinued operations" and IFRS 3 - "Business combinations". Our opinion is not qualified in relation to this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverability of goodwill

*Notes to the consolidated financial statements: section on accounting policies – paragraphs "Impairment losses" and "Use of estimates" and note 2 "Intangible assets with an indefinite useful life"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The consolidated financial statements at 31 December 2017 include goodwill of €346,641 thousand.<br>The directors tested goodwill for impairment in order to calculate the recoverable amount of the cash-generating units (CGU) to which goodwill is allocated. The recoverable amount is based on value in use, calculated by discounting the expected cash flows using the discounted cash flows model.<br>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:<br>— the expected cash flows, calculated by taking into account the general economic performance and that of the Group's sector, the actual cash flows for the last few years and the projected growth rates;<br>— the parameters used to calculate the discount rate.<br>For the above reasons, we believe that the recoverability of goodwill is a key audit matter. | Our audit procedures included:<br>— understanding the process adopted for impairment testing approved by the Company's board of directors;<br>— analysing the criteria used to identify the CGU and trace their carrying amounts to the consolidated financial statements;<br>— understanding the process adopted to prepare the subsidiaries' business plans from which the expected cash flows used for impairment testing have been derived and analysing the assumptions adopted for reasonableness;<br>— analysing any discrepancies between the business plans' figures and actual figures, in order to check the accuracy of the estimation process;<br>— comparing the cash flows used for impairment testing to the cash flows forecast in the plans and analysing any discrepancies;<br>— involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of comparison with external data and information;<br>— assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests. |

### *Allocation of the consideration paid for the acquisition of the Compagnie Des Ciments Belges Group*

*Notes to the consolidated financial statements: section on accounting policies – paragraphs "Consolidation procedures" and "Use of estimates" and note 31 "Business acquisitions and sales"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| In 2017, the Group completed its fair value measurement of the assets acquired and liabilities assumed with the acquisition of control over the Compagnie des Ciments Belges Group (the "CCB Group") on 25 October 2016 and existing at that date.<br>Assisted by external experts, the Group also measured the fair value of the assets acquired and liabilities assumed using a method that discounts the expected cash flows. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about:<br>— the expected cash flows, calculated by taking into account the general economic performance and that of the CCB Group's sector, the actual cash flows for the last few years and the projected growth rates;<br>— the parameters used to calculate the discount rate.<br>For the above reasons, we believe that the allocation of the consideration paid for the acquisition of the CCB Group is a key audit matter. | Our audit procedures included:<br>— understanding the process adopted by the Company to allocate the consideration paid for the acquisition of the CCB Group;<br>— analysing the reports prepared by the external experts engaged by the Group to measure the fair value of the assets acquired and liabilities assumed with the acquisition of control over the CCB Group;<br>— involving experts of the KPMG network in the assessment of the reasonableness of the allocation model and related assumptions, including by means of comparison with external data and information;<br>— assessing the appropriateness of the disclosures provided in the notes about the allocation of the consideration paid for the acquisition of the CCB Group. |

## *Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Cementir Holding S.p.A. for the consolidated financial statements*

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Group's financial reporting process.

## _Auditors' responsibilities for the audit of the consolidated financial statements_

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 18 April 2012, the shareholders of Cementir Holding S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2012 to 31 December 2020.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## Report on other legal and regulatory requirements

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The directors of Cementir Holding S.p.A. are responsible for the preparation of the Group's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Group's consolidated financial statements at 31 December 2017 and their compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the consolidated financial statements of the Cementir Holding Group at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

### ***Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16***

The directors of Cementir Holding S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Rome, 27 March 2018

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit

# SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2017

## SEPARATE FINANCIAL STATEMENTS

### Statement of financial position

| (EUR) | Note | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 1 | 5,396,129 | 2,749,176 |
| Property, plant and equipment | 2 | 580,075 | 418,725 |
| Investment property | 3 | 23,000,000 | 23,000,000 |
| Investments in subsidiaries | 4 | 293,840,578 | 495,747,996 |
| Non-current financial assets | 5 | 179,783,886 | 329,685,497 |
| Deferred tax assets | 17 | 17,243,107 | 50,200,188 |
| **TOTAL NON-CURRENT ASSETS** | | **519,843,774** | **901,801,582** |
| Trade receivables | 6 | 12,314,532 | 19,550,866 |
| *- Trade receivables - third parties* | | *279,609* | *421,861* |
| *- Trade receivables - related parties* | 30 | *12,034,923* | *19,129,005* |
| Current financial assets | 7 | 44,166,815 | 259,686,618 |
| *- Current financial assets - third parties* | | *935,453* | *899,099* |
| *- Current financial assets - related parties* | *30* | *43,231,362* | *258,787,519* |
| Current tax assets | 8 | 4,287,824 | 4,758,111 |
| Other current assets | 9 | 1,251,720 | 1,320,830 |
| *- Other current assets - third parties* | | *925,723* | *809,134* |
| *- Other current assets - related parties* | *30* | *325,997* | *511,696* |
| Cash and cash equivalents | 10 | 4,021,623 | 5,709,512 |
| *- Cash and cash equivalents - third parties* | | *4,021,623* | *3,999,714* |
| *- Cash and cash equivalents - related parties* | 30 | - | *1,709,798* |
| **TOTAL CURRENT ASSETS** | | **66,042,514** | **291,025,937** |
| **ASSETS HELD FOR SALE** | | **349,367,929** | **-** |
| **TOTAL ASSETS** | | **935,254,217** | **1,192,827,518** |
| **EQUITY AND LIABILITIES** | | | |
| Share capital | 11 | 159,120,000 | 159,120,000 |
| Share premium reserve | 12 | 35,710,275 | 35,710,275 |
| Other reserves | 13 | 269,317,103 | 292,220,629 |
| Loss for the year | | (123,242,525) | (5,880,637) |
| **TOTAL EQUITY** | | **340,904,853** | **481,170,267** |
| Employee benefits | 14 | 1,767,290 | 448,080 |
| Other provisions and non-current expenses | 18 | 45,000 | - |
| Non-current financial liabilities | 15 | 504,601,717 | 635,927,167 |
| *- Non-current financial liabilities - third parties* | | *504,601,717* | *635,927,167* |
| *- Non-current financial liabilities - related parties* | 30 | - | - |
| Deferred tax liabilities | 17 | 4,238,995 | 4,238,995 |
| **TOTAL NON-CURRENT LIABILITIES** | | **510,653,002** | **640,614,242** |
| Trade payables | 16 | 2,445,200 | 3,020,217 |
| *- Trade payables - third parties* | | *2,432,390* | *2,465,918* |
| *- Trade payables - related parties* | *30* | *12,810* | *554,299* |
| Current financial liabilities | 15 | 36,774,453 | 26,468,158 |
| *- Current financial liabilities - third parties* | | *36,774,453* | *26,468,158* |
| *- Current financial liabilities - related parties* | 30 | - | - |
| Current tax liabilities | 17 | 416,992 | - |
| Other current liabilities | 18 | 5,494,790 | 41,554,634 |
| *- Other current liabilities - third parties* | | *5,221,901* | *3,882,733* |
| *- Other current liabilities - related parties* | 30 | *272,889* | *37,671,901* |
| **TOTAL CURRENT LIABILITIES** | | **45,131,435** | **71,043,009** |
| **LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE** | | **38,564,927** | **-** |
| **TOTAL LIABILITIES** | | **555,784,437** | **711,657,252** |
| **TOTAL EQUITY AND LIABILITIES** | | **935,254,217** | **1,192,827,518** |

**Income statement**

| (EUR) | Note | **2017** | **2016** |
|---|---|---|---|
| **REVENUE** | 19 | **27,792,003** | **20,942,421** |
| *- Revenue - related parties* | 30 | *27,792,003* | *20,942,421* |
| Increase for internal work | 20 | 1,525,283 | 905,102 |
| Other operating revenue | 21 | 323,000 | 246,000 |
| *- Other operating revenue - third parties* | | *323,000* | *246,000* |
| **TOTAL OPERATING REVENUE** | | **29,640,286** | **22,093,523** |
| Personnel costs | 22 | (15,614,691) | (8,714,313) |
| *- Personnel costs - third parties* | | *(15,614,691)* | *(8,714,313)* |
| Other operating costs | 23 | (12,664,520) | (12,797,928) |
| *- Other operating costs - third parties* | | *(1,790,262)* | *(10,623,928)* |
| *- Other operating costs - related parties* | 30 | *(10,874,258)* | *(2,174,000)* |
| **TOTAL OPERATING COSTS** | | **(28,279,211)** | **(21,512,241)** |
| **EBITDA** | | **1,361,075** | **581,282** |
| Amortisation, depreciation, impairment losses and provisions | 24 | (1,542,656) | (1,142,704) |
| **EBIT** | | **(181,581)** | **(561,422)** |
| Financial income | 25 | 18,904,243 | 4,055,810 |
| *- Financial income - third parties* | | *9,858,843* | *793,466* |
| *- Financial income - related parties* | 30 | *9,045,400* | *3,262,344* |
| Financial expense | 25 | (141,430,246) | (11,411,549) |
| **NET FINANCIAL EXPENSE** | | **(122,526,003)** | **(7,355,739)** |
| **LOSS BEFORE TAXES** | | **(122,707,584)** | **(7,917,161)** |
| Income taxes | 26 | (534,941) | 2,036,524 |
| **LOSS FROM CONTINUING OPERATIONS** | | **(123,242,525)** | **(5,880,637)** |
| **LOSS FOR THE YEAR** | | **(123,242,525)** | **(5,880,637)** |

### Statement of comprehensive income

| (EUR) | Note | 2017 | 2016 |
|---|---|---|---|
| **LOSS FOR THE YEAR** | | **(123,242,525)** | **(5,880,637)** |
| **Other comprehensive income (expense):** | | | |
| ***Items that will never be reclassified to profit or loss:*** | | | |
| Net losses on measurement of derivatives | 27 | (1,595,689) | - |
| Net actuarial gains (losses) on post-employment benefits | 27 | 17,041 | (15,180) |
| Taxes recognised in equity | 27 | 467,757 | 2,798 |
| **Total items that will never be reclassified to profit or loss** | | **(1,110,890)** | **(12,382)** |
| **TOTAL COMPREHENSIVE EXPENSE** | | **(124,353,415)** | **(5,893,019)** |

## Statement of changes in equity

| (EUR '000) | Share capital | Share premium reserve | Revaluation reserve | Legal reserve | Other reserves: Reserve for grants related to assets | Other reserves: Reserve as per art. 15 of Law No. 67/88 | Other reserves: Reserve as per Law No. 349/95 | Other reserves: Goodwill arising on merger | Other reserves: Other IFRS reserves | Other reserves: Actuarial Reserves | Other reserves: Cash Flow Hedge reserve | Retained earnings | Loss for the year | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 January 2016** | **159,120** | **35,710** | **97,733** | **31,824** | **13,207** | **138** | **41** | **98,076** | **18,743** | **(135)** | | **52,032** | **(3,514)** | **502,975** |
| Allocation of 2015 loss | | | - | | | | | | (3,514) | | | | 3,514 | **-** |
| Distribution of 2015 dividends | | | | | | | | | | | | (15,912) | | **(15,912)** |
| **Total owner transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **(3,514)** | **-** | | **(15,912)** | **3,514** | **(15,912)** |
| Net actuarial gains (losses) | | | | | | | | | | (12) | | | | **(12)** |
| Gains (losses) from derivatives | | | | | | | | | | | | | | |
| **Other comprehensive expense** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **(12)** | | | | **(12)** |
| Loss for the year | - | - | - | - | - | - | - | - | - | - | | - | (5,881) | **(5,881)** |
| **Equity at 31 December 2016** | **159,120** | **35,710** | **97,733** | **31,824** | **13,207** | **138** | **41** | **98,076** | **15,229** | **(147)** | | **36,121** | **(5,881)** | **481,170** |

| (EUR '000) | Share capital | Share premium reserve | Revaluation reserve | Legal reserve | Other reserves: Reserve for grants related to assets | Other reserves: Reserve as per art. 15 of Law No. 67/88 | Other reserves: Reserve as per Law No. 349/95 | Other reserves: Goodwill arising on merger | Other reserves: Other IFRS reserves | Other reserves: Actuarial Reserves | Other reserves: Cash Flow Hedge reserve | Retained earnings | Loss for the year | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Equity at 1 January 2017** | **159,120** | **35,710** | **97,733** | **31,824** | **13,207** | **138** | **41** | **98,076** | **15,229** | **(147)** | **-** | **36,121** | **(5,881)** | **481,170** |
| Allocation of 2016 loss | | | - | | | | | | (5,881) | | | | 5,881 | **-** |
| Distribution of 2016 dividends | | | | | | | | | | | | (15,912) | | **(15,912)** |
| **Total owner transactions** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **(5,881)** | | | **(15,912)** | **5,881** | **(15,912)** |
| Net actuarial gains (losses) | | | | | | | | | | 13 | | | | **13** |
| Gains (losses) from derivatives | | | | | | | | | | | (1,124) | | | **(1,124)** |
| **Other comprehensive expense** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | **13** | **(1,124)** | | | **(1,111)** |
| Loss for the year | | | | | | | | | | | | | (123,242) | **(123,242)** |
| **Equity at 31 December 2017** | **159,120** | **35,710** | **97,733** | **31,824** | **13,207** | **138** | **41** | **98,076** | **9,348** | **(134)** | **(1,124)** | **20,208** | **(123,242)** | **340,905** |

## Statement of cash flows

| (EUR '000) | Note | 31 December 2017 | 31 December 2016 |
|---|---|---|---|
| **Loss for the year** | | **(123,243)** | **(5,881)** |
| Amortisation and depreciation | 24 | 1,543 | 1,143 |
| Net financial expense | 25 | 122,526 | 7,356 |
| *- third parties* | | *8,597* | *8,173* |
| *- related parties* | | *113,929* | *(817)* |
| Income taxes | 26 | 535 | (2,037) |
| Change in employee benefits | | 1,332 | (27) |
| **Operating cash flows before changes in working capital** | | **2,694** | **554** |
| Decrease in trade receivables - third parties | | 142 | 353 |
| (Increase) Decrease in trade receivables - related parties | | 7,094 | (278) |
| Decrease in trade payables - third parties | | (1,487) | (585) |
| Increase (Decrease) in trade payables - related parties | | (540) | 98 |
| Change in other non-current and current assets and liabilities - third parties | | (1,824) | (6,116) |
| Change in other non-current and current assets and liabilities - related parties | | 856 | 6,203 |
| **Operating cash flows** | | **6,934** | **230** |
| Interest collected | | 9,845 | 1,532 |
| Interest paid | | (15,163) | (6,488) |
| Other income (expense) collected (paid) | | (608) | (2,812) |
| Income taxes paid | | - | - |
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)** | | **1,009** | **(7,538)** |
| Investments in intangible assets | | (2,499) | (682) |
| Investments in property, plant and equipment | | (399) | (69) |
| Acquisitions of equity investments | | (20,800) | (130,286) |
| Proceeds from the sale of equity investments | | - | - |
| **CASH FLOWS USED IN INVESTING ACTIVITIES (B)** | | **(23,698)** | **(131,036)** |
| Change in non-current financial assets and liabilities - third parties | | (130,619) | 619,037 |
| Change in non-current financial assets and liabilities - related parties | | 149,196 | (379,630) |
| Change in current financial assets and liabilities - third parties | | 10,704 | (52,626) |
| Change in current financial assets and liabilities - related parties | | 7,632 | (30,938) |
| Dividends distributed | | (15,912) | (15,912) |
| **CASH FLOWS FROM FINANCING ACTIVITIES (C)** | | **21,000** | **139,931** |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)** | | **(1,688)** | **1,357** |
| **Opening cash and cash equivalents** | 10 | **5,710** | **4,352** |
| **Closing cash and cash equivalents** | 10 | **4,022** | **5,710** |

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### General information

Cementir Holding SpA is a company limited by shares with registered office in Corso di Francia 200, Rome, Italy.

Based on the shareholder register, the communications received pursuant to article 120 of Legislative Decree 58 of 24 February 1998 and other available information, the following are the shareholders with an investment of more than 2% in the company's share capital at 31 December 2017:

1) Francesco Gaetano Caltagirone 104,865,464 shares (65.903%). The shareholding is held as follows:
   - Direct ownership of 1,327,560 shares (0.834%)
   - Indirect ownership through the companies:
     - Calt 2004 Srl – 47,860,813 shares (30.078%)
     - Caltagirone SpA 21,602,321 shares (13.576%)
     - FGC Finanziaria Srl – 16,529,826 shares (10.388%)
     - Gamma Srl – 5,575,220 shares (3.504%)
     - Pantheon 2000 SpA – 4,466,928 shares (2.807%)
     - Ical 2 SpA – 2,614,300 shares (1.643%)
     - Capitolium SpA – 2,448,441 shares (1.539%)
     - Vianini Lavori SpA – 2,440,055 shares (1.533%)
2) Francesco Caltagirone 8,270,299 shares (5.198%). The shareholding is held as follows:
   - Direct ownership of 2,520,299 shares (1.584%)
   - Indirect ownership through the company Chupas 2007 Srl 5,750,000 shares (3.614%).

On 8 March 2018, the Company's Board of Directors approved these separate financial statements at 31 December 2017 and authorised their publication.

### Legislative framework

The provisions of Italian legislation implementing the EU Directive 78/660/EC are applicable, where compatible, to companies that prepare IFRS-compliant financial statements. Accordingly, these separate financial statements comply with the requirements of the Italian Civil Code and related provisions of the Consolidated Finance Act for listed companies governing the directors' report (article 2428 of the Italian Civil Code), statutory auditing (article 2409-bis of the Italian Civil Code) and the publication of financial statements (article 2435 of the Italian Civil Code).

The separate financial statements and these notes provide the additional disclosures and information required by articles 2424, 2425 and 2427 of the Italian Civil Code as these do not conflict with IFRS.

### Statement of compliance with the IFRS

The separate financial statements have been prepared in accordance with the IFRS issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission (EC) at 31 December 2017.
The acronym "IFRS" includes all International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously known as the Standing Interpretations Committee (SIC). For simplicity purposes, all these standards and interpretations are referred to herein as "IFRS".

### Assets and liabilities held for sale

On 2 January 2018, Cementir Holding S.p.A. finalised the sale of 100% of the share capital of Cementir Italia S.p.A., including its wholly-owned subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A., (Cementir Italia group) to Italcementi S.p.A., a wholly-owned subsidiary of HeidelbergCement AG.
In compliance with IFRS 5, the separate financial statements as at and for the year ended 31 December 2017 present the carrying amounts attributable to the Italian companies sold in the items "Assets held for sale" and "Liabilities associated with assets held for sale".
The following table shows the details:

| (Euro ) | Cementir Italia SpA | Betontir SpA | Cementir Sacci SpA | Total |
|---|---|---|---|---|
| Investments in subsidiaries | 101,069,688 | - | - | **101,069,688** |
| Deferred tax assets | 36,351,827 | - | - | **36,351,827** |
| Current financial assets - related parties | 211,430,312 | - | - | **211,430,312** |
| Other current assets - related parties | 516,102 | - | - | **516,102** |
| **Total assets held for sale** | **349,367,929** | **-** | **-** | **349,367,929** |

| (Euro ) | Cementir Italia SpA | Betontir SpA | Cementir Sacci SpA | Total |
|---|---|---|---|---|
| Trade payables - related parties | - | - | 1,362 | **1,362** |
| Current financial liabilities - related parties | 23,492 | - | - | **23,492** |
| Other current liabilities - related parties | 29,171,774 | 4,608,296 | 4,760,003 | **38,540,073** |
| **Total liabilities associated with assets held for sale** | **29,195,266** | **4,608,296** | **4,761,365** | **38,564,927** |

**Standards and amendments to standards adopted by the Company**

**a)** Commencing as of 1 January 2017, the Company has adopted the following new accounting standards:

- *"Disclosure initiative Amendments to IAS 7 - Statement of cash flows*". Endorsement by the EU took place on 6 November 2017 through Regulation No. 1990. The amendments introduce new disclosure obligations on changes in liabilities and assets deriving from financing activities.
- "*Amendments to IAS 12 – Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses".* Endorsement by the EU took place on 6 November 2017 through Regulation No. 1989.
  The amendment clarified how to account for deferred financial assets relative to debt instruments measured at fair value.
- "Annual Improvements to IFRS Standards Cycle 2014-2016 ". Endorsement by the EU took place on 7 February 2018 through Regulation No. 182. The endorsed amendments, which form an ordinary part of the rationalisation and clarification of the IFRS, relate to the following standards: IFRS 1 - *First-time adoption of IFRS*, IFRS 12 - *Disclosure of interests in other entities* and IAS 28 - *Investments in associates and joint ventures*.
  The amendments to IFRS 12 are applicable starting from annual reporting periods commencing on or after 1 January 2017. The amendments to IFRS 1 and IAS 28 are applicable starting from annual reporting periods commencing on or after 1 January 2018; early application is permitted only as regards IAS 28, but the Company has not pursued this option.

**b)** Standards and interpretations of standards applicable for years starting after 2017 and not adopted in advance by the Company:

- On 24 July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*. The new standard introduces new classification, measurement and derecognition requirements, a new impairment model and a reformed approach to hedge accounting, completing the IASB's project to replace IAS 39. The final version of the standard replaces all earlier versions of IFRS 9. The IASB began the IFRS 9 project in 2008; the project involved a series of phases. In 2009, a first version of IFRS 9 was published, which introduced new classification and measurement requirements for financial assets; classification and measurement requirements for financial liabilities and derecognition rules were added in 2010. IFRS 9 was then amended in 2013 with a reformed model of hedge accounting. In September 2015, the EFRAG completed its due process for the issue of its endorsement advice, which was then submitted to the European Commission. This document, endorsed by the European Union with Regulation No. 2067 of 29 November 2016, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted.

- On 28 May 2014, the IASB published IFRS 15 – *Revenue from Contracts with Customers*. The standard provides a single and comprehensive framework for recording revenue and sets out how to treat all contracts with customers (except contracts covered by the standards on leasing, insurance contracts and financial instruments). IFRS 15 replaces the previous standards on revenue: IAS 18 Revenue and IAS 11 Construction Contracts, as well as the interpretations IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard identifies criteria for recognising revenue from the sale of goods or the provision of services based on the "five-step model framework", and requires that useful information be provided in the notes to the financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. On 11 September 2015, the IASB published the Amendment to IFRS 15 that deferred the entry into force of the standard by one year to 1 January 2018. This document, endorsed by the European Union with Regulation No. 1905 of 29 October 2016, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted.

  In addition, on 12 April 2016, the IASB published "*Clarifications to IFRS 15 Revenue from Contracts with Customers*". The amendment does not change the content of the standard but clarifies how it should be applied. Specifically, it clarifies (i) how to identify a performance obligation in a contract, (ii) how to determine if an entity is a principal or an agent, and (iii) how to determine the moment when the revenue deriving from the granting of licences should be recognised. This document, endorsed by the European Union with Regulation No. 1987 of 9 November 2017, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted.
- On 13 January 2016, the IASB published the new standard IFRS 16 – *Leases*, which replaces IAS 17. IFRS 16 applies as of 1 January 2019. The standard eliminates de facto the difference in accounting for operating and finance leases, while also simplifying application and introducing the concept of control to the definition of leasing. Specifically, to determine whether a contract is a *lease* or not, IFRS 16 requires verification of whether or not the lessee has the right to control the use of an identified asset for a determined period of time. Early application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. Endorsement by the EU took place on 31 October 2017 through Regulation No. 1986.
- On 20 June 2016, the IASB published a number of amendments to IFRS 2 - *Share-based Payment*. The document "*Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)"* resolves a number of issues relating to the accounting of share-based payments. Specifically, the amendment makes significant improvements to (i) accounting for cash-settled share-based payments, (ii) their classification, and (iii) how to account for the modification of share-based payments from cash-settled to equity-settled. The amendments will become effective as of 1 January 2018. Endorsement by the EU took place on 26 February 2018 through Regulation No. 289.

- On 12 September 2016, the IASB published a number of amendments to IFRS 4 *Insurance Contracts*. The document "*Amendments* to IFRS 4: *Applying* IFRS 9 *Financial Instruments with* IFRS 4 *Insurance Contracts*" aims to address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming insurance contracts Standard. The amendments will become effective as of 1 January 2018. Endorsement by the EU took place on 3 November 2017 through Regulation No. 1988.

With reference to the standards IFRS 15 and IFRS 9, the Company has conducted specific analyses aimed at identifying any accounting effects with respect to the standards applied at 31 December 2017. The analyses carried out did not reveal significant impacts.

**c)** Standards and interpretations to be applied shortly:

At the date of approval of these financial statements, the IASB has issued certain standards, interpretations and amendments that the European Union has yet to endorse, some of which are still at the discussion stage. They include:

- On 18 May 2017, the IASB published the new standard IFRS 17 – *Insurance Contracts*, which replaces IAS 4. The new standard on insurance contracts aims to increase transparency on the sources and quality of profit and to ensure greater comparability of results, introducing a single standard for revenue recognition that reflects the services provided. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The endorsement process by EFRAG is currently underway.
- On 8 December 2016 the IASB published the interpretation IFRIC 22 – "*Foreign Currency Transactions and Advance Consideration*", to provide clarification on the correct accounting of foreign-currency transactions when payment is made or received in advance. The interpretation clarifies that the transaction date to be used for the conversion is the date on which the entity made or received the advance payment. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018; early application is permitted. Endorsement by the EU is expected in the first quarter of 2018.
- On 7 June 2017, the IASB published the interpretation IFRIC 23 – "Uncertainty over Income Tax Treatments", which provides guidance on how to reflect uncertainties over income tax treatments when accounting for income tax. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Endorsement by the EU is expected in the third quarter of 2018.
- On 8 December 2016, the IASB published a number of amendments to IAS 40 *Investment Property*. The document "*Amendments* to IAS 40: *Transfers of Investment Property*" aims to clarify aspects relating to the treatment of transfers to, or from, investment properties. Specifically, the amendment clarifies that a transfer should be made only when there has been a change in use of the property. A change in management's intentions for the use of a property by itself is not sufficient for a transfer. The amendments are applicable starting from annual reporting periods commencing on or after 1

January 2018; early application is permitted. Endorsement by the EU is expected in the first quarter of 2018.

- On 12 October 2017, the IASB published a number of amendments to IFRS 9 – Financial Instruments. The document "Prepayment features with Negative Compensation (Amendments to IFRS 9)" aims to amend the requirements of IFRS 9 with reference to the following two situations: (i) financial assets that contain prepayable options with negative compensation can now be managed at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other significant requirements of IFRS 9; (i) new rules are introduced for accounting for a non-substantial modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of fixed-rate financial liabilities. The amendments are applicable starting from annual reporting periods commencing on or after 1 January 2019; early application is permitted. Endorsement by the EU is expected in the first quarter of 2018.
- On 12 October 2017, the IASB published a number of amendments to IAS 28 – *Investments in associates and joint ventures*. The document "Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)" aims to clarify a number of aspects in cases where companies finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future ("Long-Term Interests" or "LTI"). The amendments are applicable starting from annual reporting periods commencing on or after 1 January 2019; early application is permitted. EFRAG is expected to conclude the Endorsement Process in the first quarter of 2018, while endorsement by the EU is forecast in 2018.
- On 12 December 2017, the IAS published "*Annual Improvements to IFRS Standards 2015-2017 Cycle".* The amendments adopted, which form an ordinary part of the rationalisation and clarification of the IFRS, relate to the following standards: (i) IFRS 3 - Business Combinations and IFRS 11 - Joint Arrangements: The IASB has clarified how to account for the increase of an interest in a joint operation that meets the definition of a business; IAS 12 - *Income Taxes*: the IASB has clarified that the income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the underlying transactions or events that generated the distributable profits (i.e. in profit or loss, OCI or equity); (iii) IAS 23 - Borrowing Costs: the IASB clarified that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings for qualifying assets that are now ready for their intended use are included in that general pool for the purposes of IAS 23. The amendments are applicable starting from annual reporting periods commencing on or after 1 January 2019; early application is permitted. EFRAG is expected to conclude the Endorsement Process in the first quarter of 2018, while endorsement by the EU is forecast by the end of 2018.
- On 7 February 2018, the IASB published a number of amendments to IAS 19 -Employee Benefits. The document *"Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)"* clarifies a number of accounting aspects relating to the amendment, curtailment or settlement of a defined

benefit plan. The amendments are to be applied to amendments to plans, curtailments or transactions as of 1 January 2019, i.e. the date on which they are first applied (early application is permitted). EFRAG is expected to conclude the Endorsement Process in the second quarter of 2018, while endorsement by the EU is forecast in 2018.

## Basis of presentation

The separate financial statements at 31 December 2017 are presented in Euros, the Company's functional currency. All amounts are expressed in thousands of Euros, unless indicated otherwise. They consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

The separate financial statements have been prepared on a going concern basis as the directors are reasonably certain that the Company will continue to operate in the foreseeable future, based on their assessment of the risks and uncertainties to which it is exposed.

The company has opted to present these statements as follows:

- the statement of financial position presents current and non-current assets and liabilities separately;
- the income statement classifies costs by nature;
- the statement of comprehensive income presents the effect of gains and losses recognised directly in equity, starting from the profit or loss for the year;
- the statement of changes in equity is presented using the changes in equity method;
- the statement of cash flows is presented using the indirect method.

The general criterion adopted is the historical cost method, except for captions recognised and measured at fair value based on specific IFRS, as described in the section on accounting policies.

The IFRS have been applied consistently with the guidance provided in the *Framework for the Preparation and Presentation of Financial Statements*. The Company was not required to make any departures as per IAS 1.19.

Consob Resolution No. 15519 of 27 July 2006 requires that sub-captions be added in the financial statements, in addition to those specifically requested by IAS 1 and the other standards, when material, so as to show transactions with related parties separately or, in the case of the income statement, profits and losses on non-recurring or unusual transactions.

Assets and liabilities are presented separately and are not netted.

The potential impact of the accounting standards, amendments and interpretations to be applied in the future on the Company's financial reports is currently being studied and assessed.

## Accounting policies

**Intangible assets**

Intangible assets are identifiable, non-monetary assets without physical substance. They are a resource, controlled by an entity, from which future economic benefits are expected to flow. They are recognised at cost, including any directly related costs necessary for the asset to be available for use.

Upon initial recognition, the company determines the asset's useful life. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the company. Useful life is reviewed annually and any changes, if necessary, are applied prospectively. An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and the gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the year of its derecognition.

Intangible assets with a finite useful life are recognised net of accumulated amortisation and any impairment losses determined using the methods set out below. Amortisation begins when the asset is available for use and is allocated systematically over its residual useful life.

**Property, plant and equipment**

Property, plant and equipment are recognised at their acquisition or construction cost, including directly attributable costs required to make the asset ready for the use for which it was purchased, increased by the present value of the estimated cost of dismantlement or removal of the asset, if the company has an obligation in this sense. Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalised as part of the asset's cost until the asset is ready for its intended use or sale.

Ordinary and/or regular maintenance and repair costs are expensed when incurred. Costs to extend, upgrade or improve group-owned assets or assets owned by third parties are capitalised only when they meet the requirements for their separate classification as assets or a part of an asset, using the component approach.

Property, plant and equipment are recognised net of accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually. Any necessary changes to its useful life are applied prospectively.

The estimated useful life of the main items of plant and equipment is reported below:

| | **Useful life of property, plant and equipment** |
|---|---|
| - Sundry equipment | 5 years |
| - Office machines and equipment | 5 years |

If the asset to be depreciated consists of separate identifiable components with different useful lives, they are depreciated separately using the component approach.
Property, plant and equipment are derecognised at the time of sale or when no future economic benefits are expected from their use. The related gain or loss (calculated as the difference between the net disposal proceeds and related carrying amount) is recognised in profit or loss in the year of derecognition.

**Investment property**

Investment property held to earn rentals or for capital appreciation is measured at fair value and is not depreciated. Any gain or loss in fair value is recognised in profit or loss.
Fair value is calculated by projecting discounted cash flows based on reliable estimates of future cash flows supported by instalments of leases and/or other existing contracts (level 3).

**Investments in subsidiaries and associates**

Subsidiaries includes all companies for which Cementir Holding SpA is exposed, or has rights, to variable returns from its power over the investee. Associates are entities over which the company has significant influence, but not control or joint control, over financial and operating policies. Investments in subsidiaries and associates are recognised at cost and adjusted in the event of impairment.

**Impairment losses**

At each reporting date, the Company assesses whether events or changes in circumstances exist suggesting that the carrying amount of intangible assets or property, plant and equipment may not be recovered. If any such indication exists, the company determines the asset’s recoverable amount. If the carrying amount exceeds the recoverable amount, the asset is impaired and written down to reflect its recoverable amount. The recoverable amount of goodwill and other intangible assets with an indefinite life is estimated at each reporting date or whenever changes in circumstances or specific events make it necessary.
The recoverable amount of property, plant and equipment and intangible assets is the higher of their fair value less costs to sell and their value in use.
When defining value in use, the future cash flows are discounted using a pre-tax rate that reflects the current market estimate of the time value of money and specific risks of the asset. The realisable amount of an asset that does not generate largely independent cash flows is determined by considering the cash-generating unit (CGU) to which the asset belongs. Impairment losses are recognised in profit or loss under amortisation, depreciation and impairment losses.

**Discontinued operations and non-current assets held for sale**

Non-current assets (or disposal groups) whose carrying amount will mainly be recovered through their sale instead of through their continuous use are classified as held for sale and presented separately from other assets and liabilities in the balance sheet. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable within one year. If these criteria are met after the reporting period, an entity shall not classify a non-current asset (or disposal group) as held for sale. However, when those criteria are met after the reporting period but before the authorisation of the financial statements for issue, the entity shall disclose the appropriate information in the notes.

Non-current assets (or disposal groups) classified as held for sale are recognised at the lower of their book value and their fair value, less costs to sell; the corresponding assets and liabilities of the previous year are not reclassified. A discontinued operation is a component of an enterprise that has either been disposed of or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a coordinated plan to dispose of a major line of business or geographical area of operations or is a subsidiary acquired solely for the purpose of being resold.

**Financial instruments**

Financial assets are classified in one of the following categories upon initial recognition and measured as follows:

- *Available-for-sale financial assets*: these are non-derivative financial assets that are explicitly designated as belonging to this category and are recognised as non-current assets unless management intends to sell them within 12 months of the reporting date. They are measured at fair value and fair value gains or losses are recognised in equity through the statement of comprehensive income. They are recognised in profit or loss only when they are effectively sold or when any accumulated fair value losses are deemed to indicate an impairment which will not be recovered in the future. Financial assets are derecognised when the right to receive cash flows from the asset has been extinguished and the company has transferred substantially all the risks and rewards of ownership of the instrument along with control. When fair value cannot be determined reliably, AFS financial assets continue to be recognised at cost, adjusted for impairment. Impairment losses are not reversed.
- *Financial assets at fair value through profit or loss:* this category includes financial assets mainly acquired for sale in the short term, those designated at fair value through profit or loss at the acquisition date and derivatives. The fair value of financial instruments quoted on active markets is determined using market prices at the reporting date. If an active market does not exist and there is no market price available for an identical asset, the fair value is determined using a valuation technique that maximises the use of input

data observable on the market and minimises the use of non-observable parameters. Changes in fair value of financial assets at fair value through profit or loss are recognised in profit or loss. Derivatives are treated as assets when they have a positive fair value and as liabilities when they have a negative fair value. The company offsets positive and negative fair values arising on transactions with the same counterparty, when such offsetting is provided for contractually;

- *Loans and receivables:* these are non-derivative financial instruments, mainly trade receivables (from subsidiaries and associates), which are not quoted on an active market from which the company expects to receive fixed or determinable payments. They are recognised as current (when the deadline is within ordinary commercial terms) except for those with a deadline of more than 12 months after the reporting date, which are classified as non-current. These assets are measured at amortised cost using the effective interest method. If there is objective indication of impairment, the asset is impaired to the present value of future cash flows. Impairment losses are recognised in profit or loss. If the reasons for the impairment are no longer valid in future years, the impairment loss is reversed to the amount the asset would have had, had the impairment loss not been recognised and the amortised cost method applied.

  Financial assets are derecognised when the right to receive cash flows therefrom has been extinguished and the Company has transferred substantially all the risks and rewards of ownership and the related control.

Financial liabilities, related to loans and borrowings, trade payables and other obligations to pay, are initially recognised at fair value, less directly related costs. They are subsequently measured at amortised cost, using the effective interest method. If there is a change in the estimated future cash flows and they can be determined reliably, the carrying amount of the liability is recalculated to reflect this change based on the present value of the new estimated future cash flows and the initially determined internal rate of return.

Financial liabilities are classified as current liabilities, unless the Company has the unconditional right to defer their payment for at least 12 months after the reporting date.

Financial liabilities are derecognised when they are extinguished and the Company has transferred all the risks and obligations related thereto.

**Derivatives**

The company uses derivatives to hedge the risk of fluctuations in exchange rates, interest rates and market prices.

All derivatives are measured and recognised at fair value, as required by IAS 39.

Transactions that meet requirements for the application of hedge accounting are classified as hedging transactions. Other transactions are designated as trading transactions, even when their purpose is to manage risk. Therefore, as some of the formal requirements of IFRS were not met at the derivative agreement date, changes in their fair value are recognised in profit or loss.

Subsequent fair value gains or losses on derivatives that meet the requirements for classification as hedging instruments are recognised using the criteria set out below.

A derivative qualifies for hedge accounting if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, including the entity's risk management objective and strategy for undertaking the hedge as well as methods to test effectiveness. The hedge's effectiveness is assessed at inception and over the life of the hedge. Generally, a hedge is considered to be highly effective if, both upon inception and over its life, changes in the fair value (fair value hedges) or estimated cash flows (cash flow hedges) of the hedged item are substantially covered by changes in the fair value of the hedging instrument.

When the hedge relates to changes in the fair value of a recognised asset or liability (fair value hedge), changes in the fair value of both the hedging instrument and the hedged item are recognised in profit or loss.

In the case of cash flow hedges (hedges designated to offset the risk of changes in cash flows generated by the future performance of contractually defined obligations at the reporting date), changes in fair value of the derivative recognised after its initial recognition are recognised under reserves (in equity) for the effective part only. When the economic effects of the hedged item arise, the reserve is reversed to profit or loss under operating income (expense). If the hedge is not perfectly effective, changes in the fair value of the hedging instrument, related to the ineffective portion, are immediately charged to profit or loss. If, during the life of a derivative, the estimated cash flows hedged are no longer highly probable, the portion of the reserves related to that instrument is immediately reversed to profit or loss. Conversely, if the derivative is sold or no longer qualifies as an effective hedging instrument, the part of the reserves representing the fair value changes in the instrument, accumulated to date, is maintained in equity and reversed to profit or loss using the above classification method when the originally hedged transaction takes place.

The fair value of financial instruments was calculated used pricing techniques in order to define the present value of future cash flows attributable to such instruments using market curves in place at the measurement date. Furthermore, the component related to the risk of non-compliance (by the Company and the counterparty) was measured using yield-curve spreads.

**Cash and cash equivalents**

Cash and cash equivalents are recognised at fair value and include bank deposits and cash-on-hand, i.e., short-term, highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Employee benefits**

Liabilities for employee benefits paid at or after termination of employment related to defined benefit plans, net of any plan assets, are determined using actuarial assumptions, estimating the amount of future benefits accrued by employees at the reporting date. They are recognised on an accruals basis over the period in which the employees' rights accrue.

Defined benefit plans include the post-employment benefits (TFR) due to employees pursuant to article 2120 of the Italian Civil Code for benefits vested up to 31 December 2006. Following pension law reform, post-employment benefits accruing since 1 January 2007 are mandatorily transferred to a supplementary pension fund or the special treasury fund set up by INPS (the Italian social security institution) depending on which option the employee has chosen. Therefore, the Company's liability for defined benefits owing to employees solely relates to those vested up to 31 December 2006.

The accounting treatment adopted by the Company since 1 January 2007 (described below) complies with the prevailing interpretation of the new legislation and follows the accounting guidance provided by relevant professional bodies. Specifically:

- Post-employment benefits accruing since 1 January 2007 are considered to be defined contribution plans, including when the employee has opted to transfer the benefits to the INPS treasury fund. These benefits, determined in accordance with Italian Civil Code requirements, are not subjected to actuarial valuation and are recognised as personnel expense.
- Post-employment benefits vested up to 31 December 2006 continue to be recognised as a company liability for defined benefit plans. This liability will not increase in the future through additional accruals. Therefore, the actuarial calculation used to determine the 31 December 2016 balance did not include future salary increases.

Independent actuaries calculate the present value of the Company's obligations using the projected unit credit method. They project the liability into the future to determine the probable amount to be paid when the employment relationship terminates and then discount it to consider the time period before the first effective payment. This calculation includes post-employment benefits accrued for past service and uses actuarial assumptions, mainly based on interest rates, which reflect the market yield on high quality corporate bonds with a term consistent with that of the Company's obligation[1] and employee turnover rate.

[1] Discounted using the curve of the IRS rates equal to the term of the relevant observation period (50 years).

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Company's obligations at the reporting date, due to changes in the actuarial assumptions used (see above), are recognised directly in other comprehensive income.

**Provisions for risks and charges**

These provisions cover certain or probable risks and charges identified, whose contingency or amount is unknown at the reporting date.

Accruals to provisions for risks and charges are recognised when the company has a constructive or legal obligation at the reporting date as a result of a past event and it is likely that an outflow of resources will be necessary to settle the obligation and the amount of this outflow can be estimated reliably. When the time value of money is material and the payment dates can be estimated reliably, the provision is discounted. Increases in the provision due to the passage of time are recognised as a financial expense.

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and it can be estimated reliably. Revenue is recognised net of discounts, allowances and returns.

Revenue from the rendering of services is recognised when the services are rendered by reference to the stage of completion of the transaction at the end of the reporting period.

**Financial income and expense**

Financial income and expense are recognised on an accruals basis considering the interest accrued on the carrying amount of the related financial assets and liabilities using the effective interest rate. Reference should be made to the section on property, plant and equipment for the treatment of capitalised borrowing costs.

**Dividends**

Dividends are recognised when the shareholders' right to receive them is established.

**Income taxes**

Current income taxes are determined using an estimate of the tax base and current regulations.

Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of assets and liabilities and their tax base, applying the tax rates expected to be enacted in the years in which the temporary differences will reverse.

The Company recognises deferred tax assets when their recovery is probable, i.e., when taxable profits sufficient to allow recovery are foreseen for the future. Recoverability is reviewed at the end of each reporting period.

Current and deferred income taxes are recognised in profit and loss except for those related to captions directly recognised in other comprehensive income (expense). Other non-income taxes, such as property taxes, are recognised under operating costs.

Other non-income taxes, such as property taxes, are recognised under operating costs.

**Transactions in currencies other than the functional currency**

All transactions in currencies other than the functional currency are recognised using the exchange rate applicable at the transaction date.

Monetary assets and liabilities in currencies other than the functional currency are subsequently retranslated using the closing rate. Any resulting exchange rate gains or losses are recognised in profit or loss.

Non-monetary assets and liabilities in currencies other than the functional value recognised at historical cost are translated using the exchange rate in force at the date the transaction was initially recognised. Non-monetary assets and liabilities recognised at fair value are translated using the exchange rate in force at the date fair value was determined.

### Use of estimates

Preparation of financial statements requires management to use accounting policies and methods that are sometimes based on difficult and subjective judgements, estimates based on past experience and assumptions that are considered reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the amounts presented in the financial statements and disclosures. The actual results for which these estimates and assumptions were used may differ due to the uncertainties that characterise the assumptions and the conditions on which the estimates were based.

The accounting policies and financial statements captions that require greater subjective judgement by management when making estimates and for which a change in the conditions underlying the assumptions could have a significant impact on the Company's separate financial statements are the following:

- measurement of non-current assets;
- deferred tax assets;
- estimate of the fair value of investment properties: on each reference date of the financial statements, real estate investments are valued at fair value and are not subject to depreciation. When determining their fair value, the Directors based their valuation on assumptions about the trend of the reference real estate market in particular. Such assumptions may vary over time, influencing valuations and forecasts to be performed by the Directors.

Management regularly reviews the estimates and assumptions and the effects of each change are recognised in profit or loss if the change only affects that year. When the review affects current and future years, the change is recognised in the year in which it is made and in the related future years, as explained in more detail in the next section.

## Changes in accounting policies, errors and changes in estimates

The Company modifies the accounting policies adopted from one reporting period to another only if the change is required by a standard or contributes to providing more reliable and relevant information about the effects of transactions on the company's financial position, performance and cash flows.
Changes in accounting policies are recognised retrospectively; the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts shown for each comparative period presented are adjusted as if the new accounting policy had always been applied. The prospective approach is only applied when it is impracticable to reconstruct the comparative amounts.
If a change in accounting policy is required by a new or revised standard, the change is accounted for as required by that new pronouncement or, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. If this is impracticable, it is applied prospectively.
This same approach is applied to material errors. Non-material errors are recognised in profit or loss in the period in which the error is identified.
Changes in estimates are recognised prospectively in profit or loss in the period in which the change takes place if it only affects that period, or in the period in which the change takes place and subsequent periods if the change also affects these periods.

## Financial risk management

Cementir Holding SpA is exposed to financial risks related to its operations, namely:

**Credit risk**

The Company has no material exposure to credit risk as its receivables are of small amounts, due mainly from subsidiaries for services provided to them.
With respect to bank deposits and derivatives, the Company has always worked with leading counterparties, thus limiting its credit risk in this sense.

**Liquidity risk**

The Company is exposed to liquidity risk as concerns the availability of financial resources and access to the credit market and financial instruments in general. Given its strong financial position, this risk is not material. Nonetheless, Cementir Holding SpA manages liquidity risk by carefully monitoring cash flows and funding requirements. It has sufficient credit facilities to meet any unforeseen requirements.

**Market risk**

Market risk mainly concerns fluctuations in currency and interest rates.

Cementir Holding SpA is directly exposed to currency risk to a limited degree in relation to loans and deposits held in foreign currency. The Company constantly monitors these risks so as to assess any impact in advance and take any necessary mitigating actions.

Finally, Cementir Holding SpA has floating-rate bank loans and borrowings and is exposed to the risk of fluctuations in interest rates. This risk is considered moderate as the company's loans are currently only in Euros and the medium to long-term interest rate curve is not steep. The company purchases interest rate swaps to partly hedge the risk after assessing forecast interest rates and timeframes for the repayment of debt by using estimated cash flows.

## Notes to the separate financial statements

### 1) Intangible assets

Intangible assets, totalling EUR 5,396, thousand (31 December 2016: EUR 2,749 thousand) included costs incurred to purchase and implement IT software. The increase compared to the previous year reflects the greater investments made by the Company to improve the applications, infrastructure and processes to support operating companies. Amortisation is calculated over five years.

| (EUR '000) | Other intangible assets | Assets under development and advances | Total |
|---|---|---|---|
| **Gross amount at 1 January 2017** | **8,454** | **43** | **8,497** |
| Increase | 2,970 | 1,064 | 4,034 |
| **Gross amount at 31 December 2017** | **11,424** | **1,107** | **12,531** |
| | | | |
| **Amortisation at 1 January 2017** | **5,748** | **-** | **5,748** |
| Increase | 1,387 | - | 1,387 |
| **Amortisation at 31 December 2017** | **7,135** | **-** | **7,135** |
| **Net amount at 31 December 2017** | **4,289** | **1,107** | **5,396** |
| | | | |
| **Gross amount at 1 January 2016** | **6,742** | **494** | **7,236** |
| Increase | 1,713 | (451) | 1,261 |
| **Gross amount at 31 December 2016** | **8,454** | **43** | **8,497** |
| | | | |
| **Amortisation at 1 January 2016** | **4,749** | **-** | **4,749** |
| Increase | 999 | - | 999 |
| **Amortisation at 31 December 2016** | **5,748** | **-** | **5,748** |
| **Net amount at 31 December 2016** | **2,706** | **43** | **2,749** |

The Company spent approximately EUR 1,525 thousand on research and development during the year (EUR 905 thousand in 2016).

### 2) Property, plant and equipment

At 31 December 2017, the caption totalled EUR 580 thousand (31 December 2016: EUR 419 thousand) and consisted of furniture, electronic equipment and servers and motor vehicles used by the company.

| (EUR '000) | Other assets | Total |
|---|---|---|
| **Gross amount at 1 January 2017** | **1,208** | **1,208** |
| Increase | 317 | 317 |
| **Gross amount at 31 December 2017** | **1,524** | **1,524** |
| **Depreciation at 1 January 2017** | **789** | **789** |
| Increase | 155 | 155 |
| **Depreciation at 31 December 2017** | **944** | **944** |
| **Net amount at 31 December 2017** | **580** | **580** |
| **Gross amount at 1 January 2016** | **1,064** | **1,064** |
| Increase | 144 | 144 |
| **Gross amount at 31 December 2016** | **1,208** | **1,208** |
| **Depreciation at 1 January 2016** | **645** | **645** |
| Increase | 144 | 144 |
| **Depreciation at 31 December 2016** | **789** | **789** |
| **Net amount at 31 December 2016** | **419** | **419** |

### 3) Investment property

Investment property, totalling EUR 23,000 thousand (unchanged from the previous year), is recognised at fair value, as determined using appraisals prepared by an external property assessor. The amount refers to property in Torrespaccata (Rome). Around EUR 18.3 million of investment property has been pledged as collateral to secure non-current bank loans and borrowings with a residual, undiscounted amount of EUR 7,083 thousand at 31 December 2016.

### 4) Investments in subsidiaries

Totalling EUR 293,841 thousand (31 December 2016: EUR 495,748 thousand) the caption breaks down as follows:

| (EUR '000) | Currency | Registered office | Investment % | Carrying amount at 31.12.2017 | Investment % | Carrying amount at 31.12.2016 |
|---|---|---|---|---|---|---|
| Cementir España SL | EUR | Madrid (Spain) | 100.00% | 206,735 | 100.00% | 206,735 |
| Alfacem Srl | EUR | Rome (Italy) | 99.99% | 85,220 | 99.99% | 85,220 |
| Cementir Italia SpA | EUR | Rome (Italy) | 99.99% | - | 99.99% | 202,707 |
| Basi 15 Srl | EUR | Rome (Italy) | 99.99% | 1,186 | 99.99% | 686 |
| Svim 15 Srl | EUR | Rome (Italy) | 99.99% | 400 | 99.99% | 400 |
| Spartan Hive SpA | EUR | Rome (Italy) | 99.99% | 300 | - | - |
| **Equity investments** | | | | **293,841** | | **495,748** |

The change with respect to 31 December 2016, totalling EUR 201,907 thousand, was due to the reclassification of the investment in Cementir Italia SpA to assets held for sale, after impairment of EUR 121,638 thousand. It should also be noted that the investment in Basi Srl increased by EUR 500 thousand following the quota capital increase of this amount and that the company Spartan Hive SpA was incorporated in 2017.

All investments in subsidiaries are in unlisted companies.

### 5) Non-current financial assets

Totalling EUR 179,784 thousand (31 December 2016: EUR 329,685 thousand). The change in non-current financial assets is due to partial repayment of a loan granted by Cementir Holding SpA to its subsidiary Aalborg Portland Holding A/S during 2016 to finance the acquisition of CCB's share capital. The term of the loan, initially set at two years, was extended to 2021. The loan was recognised using the amortised cost method.

The caption also included receivables for guarantee deposits due in less than five years.

### 6) Trade receivables

Trade receivables totalled EUR 12,315 thousand (31 December 2016: EUR 19,551 thousand) and break down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Trade receivables from third parties | | 280 | 422 |
| Allowances for impairment | | - | - |
| Trade receivables - subsidiaries | (note 30) | 12,009 | 19,079 |
| Trade receivables - other group companies | (note 30) | 25 | 50 |
| **Trade receivables** | | **12,315** | **19,551** |

The carrying amount of trade receivables approximates their fair value.

The breakdown by due date of trade receivables from third parties is shown below:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Not yet due | 280 | 422 |
| Overdue | - | - |
| Allowances for impairment | - | - |
| **Total trade receivables from third parties** | **280** | **422** |

Trade receivables due from subsidiaries refer to managerial consultancy services pertaining to the Cementir Group Intercompany Service Agreement provided by Cementir Holding SpA to group companies and the royalties under the *Trademark Licence Agreement* for the use of the trademark by the subsidiaries.

Note 30 Related party transactions provides more information about trade receivables from subsidiaries, associates and other group companies.

## 7) Current financial assets

Current financial assets, equal to EUR 44,167 thousand (EUR 259,687 thousand at 31 December 2016), comprised: interest-bearing revocable loans to the subsidiaries Basi 15 Srl (EUR 3,389 thousand) and Svim 15 Srl (EUR 992 thousand) at a rate of 0.15%; a non-interest-bearing revocable loan for EUR 38,723 thousand granted to the subsidiary Alfacem Srl; a non-interest bearing revocable loan for EUR 128 thousand to the subsidiary Cementir España SL; and the positive fair value, equal to EUR 205 thousand, of a number of derivatives to hedge interest rates, commodities and exchange rates;

The receivable relating to the loan with Cementir Italia Spa of EUR 211,430 thousand has been reclassified to assets held for sale as it met the conditions of IFRS 5 at 31 December 2017.

The caption also included EUR 730 thousand of accrued income for the loan granted to the subsidiary Aalborg Portland Holding A/S and recognised using the amortised cost method.

## 8) Current tax assets

Current tax assets totalled EUR 4,288 thousand (31 December 2016: EUR 4,758 thousand) and consisted of IRES and IRAP payments on account to the tax authorities in the current and previous years (EUR 1,057 thousand), IRES reimbursements requested for the non-deductibility of IRAP in previous years (EUR 1,009 thousand) and withholdings on both grants related to interest received from Simest and royalties from the use of the trademark by the Turkish subsidiary Cimentas (EUR 2,222 thousand).

## 9) Other current assets

The caption totalled EUR 1,252 thousand (31 December 2016: EUR 1,321 thousand) and breaks down as follows:

| (EUR'000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Subsidiaries (IRES tax consolidation scheme) | (note 30) | 326 | 512 |
| Prepayments | | 176 | 155 |
| VAT assets | | 647 | 520 |
| Other receivables | | 103 | 134 |
| **Other current assets** | | **1,252** | **1,321** |

The receivable with Cementir Italia SpA relating to the IRES consolidation of EUR 516 thousand has been reclassified to assets held for sale.

## 10) Cash and cash equivalents

This caption, totalling EUR 4,022 thousand (31 December 2016: EUR 5,710 thousand) consists of cash and cash equivalents held by the Company and breaks down as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Bank deposits | | 4,019 | 3,996 |
| Bank deposits - related parties | (note 30) | - | 1,710 |
| Cash-in-hand and cash equivalents | | 3 | 3 |
| **Cash and cash equivalents** | | **4,022** | **5,710** |

## 11) Share capital

The Company's share capital consists of 159,120,000 ordinary shares with a par value of EUR 1 each. It is fully paid-up and has not changed with respect to the previous year end.

## 12) Share premium reserve

This caption, at 31 December 2017, totalling EUR 35,710 thousand, is unchanged from the previous year end.

## 13) Other reserves

Other reserves totalled EUR 269,317 thousand (31 December 2016: EUR 292,221 thousand) and break down as follows:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Monetary revaluation reserves | 97,733 | 97,733 |
| Legal reserve | 31,824 | 31,824 |
| Other reserves | 111,462 | 111,462 |
| Other IFRS reserves | 8,090 | 15,082 |
| Retained earnings | 20,208 | 36,121 |
| **Other reserves** | **269,317** | **292,221** |

Other IFRS reserves break down as follows:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Fair value reserves – property, plant and equipment | 8,163 | 15,168 |
| Actuarial reserves – financial liabilities | 61 | 61 |
| Actuarial reserves | (134) | (147) |
| **Total other IFRS reserves** | **8,090** | **15,082** |

*Equity captions*

The following table shows the origin, possible use and availability of equity captions:

(EUR '000)

| Nature / Description | Amount | Possible use | Available portion | Summary of utilisation in previous three years: to cover losses | Summary of utilisation in previous three years: for other reasons |
|---|---|---|---|---|---|
| **Share capital** | **159,120** | | | | |
| Share premium reserve | 35,710 | A,B,C | 35,710 | - | - |
| Revaluation reserve, as per Law 342/2000 2000 and 2003 | 97,733 | A,B,C | 97,733 | - | - |
| Legal reserve | 31,824 | B | 31,824 | - | - |
| Reserve for grants related to assets | 13,207 | A,B | 13,207 | - | - |
| Reserve as per article 15 Law 67 of 11/3/88 | 138 | A,B | 138 | - | - |
| Reserve as per Law 349/95 | 41 | A,B | 41 | | |
| Negative goodwill | 98,076 | A,B,C | 98,076 | - | - |
| Other IFRS reserves - Revaluation reserve a per Law 266/05 | 4,178 | A,B,C | 4,178 | 84,849 | - |
| Other IFRS reserves | 3,912 | - | - | - | - |
| Retained earnings | 20,208 | A,B,C | 20,208 | - | 47,736 |
| **Total reserves** | **305,027** | | **301,115** | **84,849** | **47,736** |
| **Non-distributable portion** | | | **45,201** | | |
| **Remaining distributable portion** | | | **255,905** | | |
| **Loss for the year** | **(123,242)** | | | | |
| **Total equity** | **340,905** | | | | |

**Key:** **A**: for capital increases **B**: to cover losses **C**: for dividend distributions

The reserves that form part of the company's taxable profit if distributed total EUR 115,118 thousand.

The non-distributable portion includes the legal reserve, the reserve for grants related to assets, the reserve as per art. 15 of Law 67 of 11/3/88 and the reserve as per Law 349/95.

*Dividends*

On 8 March 2018, the Board of Directors proposed that a dividend of EUR 0.10 per ordinary share be distributed to the shareholders, for a total of EUR 15,912 thousand.

During the year, the company distributed a total of EUR 15,912 thousand in dividends to shareholders for 2016, corresponding to EUR 0.10 per ordinary share.

### 14) Employee benefits

Post-employment benefits totalled EUR 298 thousand (31 December 2016: EUR 448 thousand). The figure represents the company's estimate of its obligation, determined using actuarial techniques, towards employees upon termination of employment. On 1 January 2007, the Finance Act and related implementing decrees introduced significant reforms to the regulations governing post-employment benefits, including the right of employees to decide where to allocate their accruing benefits. Benefits may be transferred to a pension fund or kept within the company, in which case they are transferred to a special treasury fund set up by INPS.

As a result of the reforms, accruing post-employment benefits now qualify as a defined contribution plan rather than a defined benefit plan.

The actuarial assumptions used for their measurement are summarised below:

| Values in % | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Annual discount rate | 0.90% | 0.85% |
| Annual post-employment benefits growth rate | 2.62% | 2.62% |

Changes in the liability are shown below:

| (EUR'000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| **Net opening balance** | **448** | **454** |
| Current service cost | - | - |
| Financial expense | 4 | 6 |
| Payments of post-employment benefits | (138) | (72) |
| Net actuarial (gains)/losses recognised in the year | (15) | 15 |
| (Contributions received) | - | 45 |
| (Benefits paid) | - | - |
| **Net closing balance** | **298** | **448** |

Employee benefits included EUR 1,469 thousand relative to long-term incentives granted to executives.

### 15) Financial liabilities

Non-current and current financial liabilities are shown below:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Bank loans and borrowings | | 504,602 | 635,927 |
| Bank loans and borrowings - related parties | (note 30) | **-** | **-** |
| **Non-current financial liabilities** | | **504,602** | **635,927** |
| Bank loans and borrowings | | 6,450 | - |
| Bank loans and borrowings - related parties | (note 30) | - | 1,462 |
| Current portion of non-current financial liabilities | | 21,412 | 11,133 |
| Fair value of derivatives | | 8,679 | 12,398 |
| Other loan liabilities | | 232 | 1,476 |
| **Current financial liabilities** | | **36,774** | **26,468** |
| **Total financial liabilities** | | **541,376** | **662,395** |

Non-current bank loans and borrowings, totalling EUR 504,602 thousand, include: a floating-rate mortgage loan of EUR 6,171 thousand (6M Euribor + spread of 0.49%) granted by Banca Intesa SpA on property owned by the company in Torrespaccata, due in 2024; and a syndicated loan of EUR 498,431 thousand for the acquisitions in 2016 and the refinancing of existing credit facilities, including the effects of valuation using the amortised cost method.

On 21 October 2016, Cementir Holding SpA signed a financing contract for a syndicate of banks to grant the Company financing of up to EUR 795 million.

This Financing Contract, as amended in April 2017, consists of:

- Credit Line A (medium-long term) of EUR 315 million to be repaid over a 5-year plan starting from 25 October 2016. As at 31 December 2017, the residual amount of the line of credit was EUR 194,750 thousand;
- Credit Line B (medium-long term) of EUR 330 million to be repaid in a single instalment in October 2021. At 31 December 2017, this line of credit had been used in full.
- Revolving Credit Line of EUR 150 million, fully repayable at the end of the fifth year after 25 October 2016. At 31 December 2017, this line of credit has not been used.

The Financing Contract is secured by collateral appropriate to the type of transaction and requires compliance with the financial covenants, which as at 31 December 2017 have been met by the Company. In particular, the covenants to be complied with are the ratio between the bet financial position and EBITDA at consolidated level and between EBITDA and net financial expense.

The current portion of non-current financial liabilities includes repayment instalments on the floating-rate loan (6M Euribor + spread of 0.49%) granted by Banca Intesa SpA due in 2017 (EUR 912 thousand) secured by a company-owned property in Torrespaccata, as well as the current portion of the syndicated loans (EUR 20,500 thousand) and uses of "hot money" facilities (EUR 6,450 thousand) to finance working capital requirements.

Other loan liabilities, totalling EUR 232 thousand, mainly consist of accrued interest due on non-current loans.

The negative fair value of derivatives totalled approximately EUR 8,679 thousand; the figure is related to the fair value measurement at 31 December 2017 of derivatives purchased to hedge interest rate, commodity price and currency risks connected with liabilities falling due between January 2017 and December 2027.

At 31 December 2017, a company-owned property in Torrespaccata, Rome, was mortgaged to third parties for EUR 18.3 million to secure the loan granted by Banca Intesa SpA.

Sureties given to third parties at 31 December 2017 amounted to EUR 13,056 thousand. They include a surety of EUR 8,508 thousand (GBP 7.5 million) given to Intesa San Paolo Spa and UniCredit for the subsidiaries Quercia Limited and Neales Waste Management.

Sureties in GBP were translated into Euros at the exchange rates effective at 31 December 2017, equal to EUR/GBP 0.8872.

The company's exposure, broken down by residual expiry of the financial liabilities, is as follows:

| (EUR '000) | | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| Within three months | | 198,903 | 1,462 |
| - *third parties* | | *198,903* | - |
| - *related parties* | *(note 30)* | - | *1,462* |
| Between three months and one year | | 1,430 | 10,095 |
| - *third parties* | | *1,430* | *10,095* |
| - *related parties* | *(note 30)* | - | - |
| Between one and two years | | 4,875 | 351,854 |
| - *third parties* | | *4,875* | *351,854* |
| - *related parties* | *(note 30)* | - | - |
| Between two and five years | | 334,944 | 292,913 |
| - *third parties* | | *334,944* | *292,913* |
| - *related parties* | *(note 30)* | - | - |
| After five years | | 1,223 | 6,070 |
| **Total financial liabilities** | | **541,376** | **662,395** |

In February 2018, Credit Line A was fully repaid (EUR 194,750 thousand).

The carrying amount of current and non-current financial liabilities equals their fair value.

**Net financial debt**

As required by Consob Communication No. 6064293 of 28 July 2006, the company's net financial position is shown in the next table:

| (EUR '000) | 31.12.2017 | 31.12.2016 |
|---|---|---|
| A. Cash | 3 | 4 |
| B. Other cash equivalents | 4,019 | 5,706 |
| **D. Cash and cash equivalents (A+B+C)** | **4,022** | **5,710** |
| **E. Current loan assets** | **255,597** | **259,687** |
| F. Current bank loans and borrowings | (6,450) | - |
| G. Current portion of non-current debt | (21,412) | (11,132) |
| H. Other current loans and borrowings | (8,935) | (15,336) |
| **I. Current financial debt (F+G+H)** | **(36,797)** | **(26,468)** |
| **J. Net current financial position (I-E-D)** | **222,822** | **238,928** |
| K. Non-current bank loans and borrowings | (504,602) | (635,927) |
| **N. Non-current financial debt (K+L+M)** | **(504,602)** | **(635,927)** |
| **O. Net financial debt (J+N)** | **(281,781)** | **(396,999)** |

The Company's net financial debt at 31 December 2017 amounted to EUR 281.8 million (EUR 397.0 million at 31 December 2016), an improvement of EUR 1158.2 million compared to the previous year end. This change is mainly due to the full repayment (EUR 110.0 million) of the revolving credit line during the year. In addition, dividends totalling EUR 15.9 million were distributed to shareholders.

Current loan assets include the financial receivable from Cementir Italia of EUR 211.4 million, reclassified as assets held for sale.

Current financial liabilities include the financial payables to Cementir Italia amounting to EUR 23 thousand, reclassified as liabilities associated with assets held for sale.

In accordance with Consob Communication No. 60624293 of 28 July 2006, the loan to the subsidiary Aalborg Portland Holding A/S – categorised as a non-current receivable – has not been included in the calculation of the Company's net financial debt.

If the loan had been included, the net financial debt of Cementir Holding SpA would have been EUR 102.0 million (as represented below).

| (EUR '000) | **31.12.2017** | **31.12.2016** |
|---|---|---|
| Current financial assets | 255,597 | 259,687 |
| Cash and cash equivalents | 4,021 | 5,710 |
| Current financial liabilities | (36,797) | (26,468) |
| Non-current financial liabilities | (504,602) | (635,927) |
| **Net financial debt (as per Consob Communication)** | **(281,781)** | **(396,999)** |
| Non-current financial assets | 179,784 | 329,685 |
| **Total net financial debt** | **(101,997)** | **(67,314)** |

## 16) Trade payables

The carrying amount of trade payables approximates their fair value. Their balance of EUR 2,447 thousand (31 December 2016: EUR 3,020 thousand) may be analysed as follows:

| (EUR '000) | | **31.12.2017** | **31.12.2016** |
|---|---|---|---|
| Trade payables | | 2,432 | 2,466 |
| Trade payables - related parties | (note 30) | 13 | 554 |
| **Trade payables** | | **2,445** | **3,020** |

Note 30 Related-party transactions gives a breakdown of trade payables to subsidiaries, associates and parents.

### 17) Deferred tax assets and liabilities and Current taxes

| (EUR '000) | **31.12.2016** | Accruals, net of utilisation in profit or loss | Increase, net of decreases in equity | Other | **31.12.2017** |
|---|---|---|---|---|---|
| Tax losses | 47,979 | 1,173 | - | (36,352) | 12.800 |
| Other | 2,221 | 1,754 | 468 | - | 4.443 |
| **Deferred tax assets** | **50,200** | **2,927** | **468** | **(36,352)** | **17.243** |
| Difference between fair value of property, plant and equipment and their tax base | 4,239 | - | - | - | 4,239 |
| **Deferred tax liabilities** | **4,239** | **-** | **-** | **-** | **4,239** |

At 31 December 2017, deferred tax assets, totalling EUR 17,243 thousand, consisted entirely of IRES assets due to the tax losses of companies that opted to join the national tax consolidation scheme. The company expects to recover them over the coming years within the timeframe defined by the relevant legislation. The change compared to the previous year was a decrease of EUR 32,957 thousand, due to tax losses, non-deductible interest expense and the reclassification of deferred tax assets of EUR 36,352 thousand recognised on the tax losses of Cementir Italia group to assets held for sale.

Deferred tax liabilities, totalling EUR 4,239 thousand at 31 December 2017, consisted of EUR 3,517 thousand in IRES liabilities and EUR 722 thousand in IRAP liabilities.

Current taxes at 31 December 2017 amounted to EUR 417 thousand.

### 18) Other current liabilities and Other provisions

| (EUR '000) | | **31.12.2017** | **31.12.2016** |
|---|---|---|---|
| Personnel | | 1,504 | 751 |
| Social security institutions | | 770 | 548 |
| Other liabilities | | 2,948 | 2,584 |
| Subsidiaries (IRES and VAT tax consolidation scheme) | (note 30) | 272 | 37,672 |
| **Other current liabilities** | | **5,495** | **41,555** |

The amount due to subsidiaries primarily comprises amounts owed by Cementir Holding to companies that have joined the national IRES tax consolidation scheme following the assignment of tax losses of previous years.

The payables due at 31 December 2017 to Cementir Italia, Betontir and Cementir Sacci for a total of EUR 38,540 thousand were reclassified to liabilities held for sale.

Other provisions totalled EUR 45 thousand at 31 December 2017.

## 19) Revenue

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Services | 27,792 | 20,942 |
| **Revenue** | **27,792** | **20,942** |

Revenue included EUR 18,200 thousand in income from consultancy services provided to subsidiaries and EUR 9,592 thousand from royalties on the use of the trademark by those same subsidiaries.
Note 30 Related-party transactions provides more information about revenue from subsidiaries, associates and other Group companies.

## 20) Increase for internal work

Increase for internal work, equal to EUR 1,525 thousand, reflects the work performed by employees of Cementir Holding to install IT software that will have economic benefits over multiple years. This amount was capitalised in intangible assets and will be amortised according to the useful life of the IT software.

## 21) Other operating revenue

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Building lease payments | 246 | 246 |
| **Other operating revenue** | **246** | **246** |

Building lease payments refer to leases on the property in Torrespaccata, Rome.

## 22) Personnel costs

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Wages and salaries | 9,710 | 6,262 |
| Social security charges | 3,051 | 2,148 |
| Other costs | 2,854 | 305 |
| **Personnel costs** | **15,615** | **8,714** |

Personnel costs increased as a result of the increase in average headcount, the different composition of the workforce and non-recurring expenses for early contract terminations.

The company's workforce breaks down as follows:

| | 31.12.2017 | 31.12.2016 | 2017 average | 2016 average |
|---|---|---|---|---|
| Executives | 27 | 30 | 27 | 27 |
| Middle management, white collars and intermediates | 54 | 54 | 54 | 44 |
| **Total** | **81** | **84** | **81** | **71** |

### 23) Other operating costs

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Consultancy | 1,540 | 1,779 |
| Directors' fees | 4,393 | 3,956 |
| Independent auditors' fees | 146 | 106 |
| Other services | 2,053 | 2,329 |
| Other operating costs | 4,533 | 4,627 |
| **Other operating costs** | **12,665** | **12,798** |

Other services included, inter alia, statutory auditors' fees (EUR 140 thousand) and costs for managing the Torrespaccata property (EUR 7 thousand).
Other operating costs included the lease payments for the Corso di Francia property (EUR 1,280 thousand).
The total includes transactions with related parties (see note 30).

### 24) Amortisation, depreciation, impairment losses and provisions

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Amortisation | 1,387 | 999 |
| Depreciation | 155 | 144 |
| **Amortisation, depreciation, impairment losses and provisions** | **1,543** | **1,143** |

### 25) Net financial income

Net financial expense totalled EUR 122,526 thousand. This breaks down as follows:

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Interest income | 9,851 | 3,566 |
| Other financial income | 9,053 | 490 |
| **Total financial income** | **18,904** | **4,056** |
| Interest expense | (15,252) | (7,828) |
| Other financial expense | (126,178) | (3,584) |
| **Total financial expense** | **(141,430)** | **(11,412)** |
| **Net financial expense** | **(122,526)** | **(7,356)** |

Other financial income totalled EUR 9,053 thousand and mainly consisted of gains on the valuation of the fair value of the derivative financial instruments purchased to hedge currency, interest rate and commodities risks.
Other financial expense includes the EUR 121,638 thousand impairment of the investment in Cementir Italia SpA, sold in early 2018, deriving from the difference between the estimated sale price and the carrying amount of the investment. Net of that non-recurring item, net financial expense would have totalled EUR 888 thousand, due to financial income connected to the mark-to-market measurement of derivative financial instruments held to hedge interest rates on cash, despite higher borrowing expenses on debt.
Net financial income also includes income from related-party transactions (see note 30).

## 26) Income taxes

The caption shows a net tax expense of EUR 535 thousand (2016: income of EUR 2,036 thousand) and breaks down as follows:

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| Current taxes | (3,462) | (6,029) |
| - *IRES* | *(3,045)* | *(6,029)* |
| - *IRAP* | *(417)* | - |
| Deferred tax income | 2,927 | 8,065 |
| - *IRES* | *2,845* | *8,577* |
| - *IRAP* | *82* | *(512)* |
| Deferred tax expense | - | - |
| - *IRES* | - | - |
| **Income taxes** | **(535)** | **2,036** |

The following table shows a reconciliation between the theoretical tax expense and the effective expense recognised in profit or loss:

| (EUR '000) | 2017 | 2016 |
|---|---|---|
| **Theoretical tax expense** | **29,450** | **2,177** |
| Taxable permanent differences | (31,241) | (695) |
| Deductible permanent differences | 499 | 909 |
| Prior year taxes | 1,174 | (51) |
| Change in IRES tax rate | - | (304) |
| Effective IRAP tax expense | (417) | - |
| **Income taxes** | **(535)** | **2,036** |

The Company, as allowed by the Income Tax Consolidation Act, participates in the "National tax consolidation scheme" as parent.

## 27) Other comprehensive income (expense)

The following table gives a breakdown of other comprehensive expense, including the related tax effect:

| (EUR '000) | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | **Pre-tax amount** | **Tax effect** | **Post-tax amount** | **Pre-tax amount** | **Tax effect** | **Post-tax amount** |
| Financial instruments | (1,596) | 472 | **(1,124)** | - | - | **-** |
| Net actuarial gains (losses) on post-employment benefits | 17 | (4) | **13** | (15) | 3 | **(12)** |
| **Other comprehensive expense** | **(1,579)** | **468** | **(1,111)** | **(15)** | **3** | **(12)** |

## 28) Financial risk management and disclosures

The Company is exposed to financial risks connected with its operations, namely:

**Credit risk**

The Company's exposure to credit risk is not considered particularly significant as it chiefly does business with subsidiaries and related parties whose risk of insolvency is substantially inexistent.

Note 6 provides details about trade receivables due from third parties that are overdue, impaired or not yet due.

With respect to bank deposits and derivatives, the Company has always worked with leading counterparties, thus limiting its credit risk in this sense.

**Liquidity risk**

Liquidity risk concerns the availability of financial resources and access to credit market and financial instruments.

The company monitors its cash flows, funding requirements and liquidity levels in order to ensure the effective and efficient use of its financial resources.

The company has credit facilities which cover any unforeseen requirements.

Note 15 provides a breakdown of financial liabilities by due date.

**Market risk**

Market risk mainly concerns currency and interest rate risks.

Currency risk

Cementir Holding SpA is directly exposed to currency risk to a limited degree in relation to loans and deposits held in foreign currency. The Company constantly monitors these risks so as to assess any impact in advance and take any necessary mitigating actions.

Interest rate risk

The company has floating rate bank loans and is exposed to the risk of fluctuations in interest rates. This risk is considered moderate as the company's loans are currently only in Euros and the medium to long-term interest rate curve is not steep. The company purchases interest rate swaps to partly hedge the risk after assessing forecast interest rates and timeframes for the repayment of debt by using estimated cash flows.

At 31 December 2017, the company's net financial debt amounted to EUR 493.2 million (including EUR 48.2 million in current loan assets and cash and cash equivalents, EUR 36.8 million in current loan liabilities and EUR 504.6 million in non-current loan liabilities). All its exposures are subject to floating interest rates.

Assuming all the other variables remain stable, an annual 1% increase in interest rates would have had a negative effect on profit before taxes of EUR 4.8 million (2016: EUR 1.9 million) and a negative effect on equity of EUR 3.5 million (31 December 2016: EUR 1.4 million). A similar decrease in interest rates would have an identical positive impact.

**29) Fair value hierarchy**

IFRS 13 requires that financial instruments carried at fair value be classified using a hierarchy which reflects the sources of the inputs used to measure their fair value. The hierarchy consists of the following levels:

- Level 1: determination of fair value using quoted prices on active markets for the assets or liabilities being measured;
- Level 2: measurement of fair value using inputs other than the quoted prices included within Level 1 which are directly observable (such as prices) or indirectly observable (i.e., derived from prices) on the market.
- Level 3: measurement of fair value using inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of assets and liabilities is classified as follows:

**31 December 2017**

| (EUR '000) | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Investment property | | - | - | 23,000 | **23,000** |
| **Total assets** | | **-** | | **23,000** | **23,000** |
| Current financial liabilities (derivative instruments) | | - | 8,679 | - | **8,679** |
| **Total liabilities** | | **-** | **8,679** | **-** | **8,679** |

**31 December 2016**

| (EUR '000) | Note | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Investment property | 3 | - | - | 23,000 | **23,000** |
| **Total assets** | | **-** | | **23,000** | **23,000** |
| Current financial liabilities (derivative instruments) | 15 | - | 12,398 | - | **12,398** |
| **Total liabilities** | | **-** | **12,398** | **-** | **12,398** |

No transfers among the levels took place during 2017 and no changes in level 3 were made.

### 30) Related-party transactions

Transactions performed by the Company with related parties are part of its normal business operations and take place at market conditions. No atypical or unusual transactions took place with the exception of loans granted to the subsidiaries Basi 15, Svim 15, Alfacem and Cementir Espana as described in Note 7.

On 5 November 2010, the Board of Directors of Cementir Holding SpA approved a new procedure for related-party transactions complying with Consob guidelines, issued pursuant to Consob Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions thereto. The procedure has been applicable starting from 1 January 2011 and is published on the corporate website www.cementirholding.it. On 3 March 2017, the Board of Directors resolved to make a number of changes to the related-party transactions procedure, rendering it more effective and better suited to the operations, ownership structure and organization of the Company. The changes reflect Consob recommendations and were subject to prior approval by a committee of independent directors.

As required by Consob Communication No. 6064293 of 28 July 2006, related-party transactions and their effects are reported in the table below:

### Trade and financial transactions

**2017**

| (EUR '000) | Trade receivables | Non-current financial assets | Current financial assets | Other current assets | Cash and cash equivalents | Trade payables | Current and non-current financial liabilities | Other current liabilities | Company total |
|---|---|---|---|---|---|---|---|---|---|
| Cimentas AS | 7,503 | - | - | - | - | - | - | - | **7,503** |
| Alfacem Srl | - | - | 38,723 | 269 | - | - | - | (111) | **38,881** |
| Aalborg Portland Holding A/S | 4,506 | 177,808 | - | - | - | - | - | - | **182,314** |
| Basi 15 Srl | - | - | 3,389 | - | - | - | - | (130) | **3,259** |
| Svim 15 Srl | - | - | 992 | - | - | - | - | (31) | **961** |
| Cementir España SL | - | - | 128 | - | - | - | - | - | **128** |
| Aalborg Portland A/S | - | - | - | - | - | - | - | - | **-** |
| Sinai White Portland Cement Co.S.A.E. | - | - | - | - | - | - | - | - | **-** |
| Quercia Ltd | - | - | - | 4 | - | - | - | - | **4** |
| Spartan Hive SpA | - | - | - | 53 | - | - | - | - | **53** |
| Caltagirone SpA | 25 | - | - | - | - | - | - | - | **25** |
| Vianini Lavori SpA | - | - | - | - | - | (13) | - | - | **(13)** |
| Piemme SpA | - | - | - | - | - | - | - | - | **-** |
| **Total related parties** | **12,034** | **177,808** | **43,232** | **326** | **-** | **(13)** | **-** | **(272)** | **233,115** |
| **Total financial statements caption** | **12,315** | **179,784** | **44,167** | **1,252** | **4,022** | **(2,445)** | **(504,602)** | **(5,495)** | |
| **% impact on the financial statements caption** | **97.72%** | **98.90%** | **97.88%** | **26.04%** | **0.00%** | **0.53%** | **0.00%** | **4.95%** | |
| Cementir Italia SpA | - | - | 211,43( | 516 | - | - | (23) | (29,172) | **182,751** |
| Betontir SpA | - | - | - | - | - | - | - | (4,608) | **(4,608)** |
| Cementir Sacci SpA | - | - | - | - | - | (1) | - | (4,760) | **(4,761)** |
| **Total with related parties held for sale** | **-** | **-** | **211,43(** | **516** | **-** | **(1)** | **(23)** | **(38,540)** | **173,382** |

**2016**

| (EUR '000) | Trade receivables | Non-current financial assets | Current financial assets | Other current assets | Cash and cash equivalents | Trade payables | Current and non-current financial liabilities | Other current liabilities | ompany total |
|---|---|---|---|---|---|---|---|---|---|
| Betontir SpA | 4 | - | - | - | - | - | - | (4,577) | **(4,574)** |
| Cimentas AS | 8,000 | - | - | - | - | - | - | - | **8,000** |
| Alfacem Srl | - | - | 38,648 | 269 | - | - | - | (178) | **38,739** |
| Aalborg Portland Holding A/S | 2,549 | 327,003 | - | - | - | - | - | - | **329,553** |
| Basi 15 Srl | - | - | 3,245 | - | - | - | - | (60) | **3,185** |
| Svim 15 Srl | - | - | 830 | - | - | - | - | (11) | **819** |
| Cementir España SL | - | - | 103 | - | - | - | - | - | **103** |
| Cementir Italia SpA | 8,475 | - | 215,961 | 221 | - | (537) | - | (30,625) | **193,495** |
| Aalborg Portland A/S | 20 | - | - | - | - | - | - | - | **20** |
| Sinai White Portland Cement Co.S.A.E. | 9 | - | - | - | - | - | - | - | **9** |
| Cementir Sacci SpA | 22 | - | - | - | - | - | - | (2,220) | **(2,197)** |
| Quercia Ltd | 22 | - | - | - | - | - | - | - | **22** |
| Spartan Hive SpA | - | - | - | - | - | - | - | - | **-** |
| Caltagirone SpA | 50 | - | - | - | - | - | - | - | **50** |
| Vianini Lavori SpA | - | - | - | - | - | (13) | - | - | **(13** |
| Piemme SpA | - | - | - | - | - | (4) | - | - | **(4)** |
| **Total related parties** | **19,151** | **327,003** | **258,788** | **490** | **-** | **(554)** | **-** | **(37,672)** | **567,206** |
| **Total financial statements caption** | **19,572** | **329,685** | **259,687** | **1,299** | **5,710** | **(3,020)** | **(662,395)** | **(41,555)** | |
| **% impact on the financial statements caption** | **97.85%** | **99.19%** | **99.65%** | **37.72%** | **0.00%** | **18.35%** | **0.00%** | **90.66%** | |

## Revenue and costs

**2017**

| (EUR '000) | Operating revenue and other income | Financial income | Personnel costs | Operating costs | Financial expense | Company total |
|---|---|---|---|---|---|---|
| Caltagirone SpA | - | - | - | (450) | - | **(450)** |
| Cimentas AS | 5,888 | - | - | - | - | **5,888** |
| Cementir Italia SpA | 3,923 | 4,287 | - | (1,281) | - | **6,930** |
| Alfacem Srl | - | - | - | - | - | **-** |
| Basi 15 Srl | - | 5 | - | - | - | **5** |
| Svim 15 Srl | - | 1 | - | - | - | **1** |
| Aalborg Portland Holding A/S | 17,981 | 4,752 | - | - | - | **22,733** |
| Aalborg Portland A/S | - | - | - | - | - | **-** |
| Sinai White Portland Cement Co.S.A.E. | - | - | - | - | - | **-** |
| Vianini Lavori SpA | - | - | - | (42) | - | **(42)** |
| Piemme SpA | - | - | - | (18) | - | **(18)** |
| ICAL 2 | - | - | - | - | - | **-** |
| **Total related parties** | **27,792** | **9,045** | **-** | **(1,791)** | **-** | **35,047** |
| **Total financial statements caption** | **29,640** | **18,904** | **(15,614)** | **(12,665)** | **(141,430)** | |
| **% impact on the financial statements caption** | **93.76%** | **47.85%** | **0.00%** | **14.14%** | **0.00%** | |

**2016**

| (EUR '000) | Operating revenue | Financial income | Personnel costs | Operating costs | Financial expense | Company total |
|---|---|---|---|---|---|---|
| Caltagirone SpA | - | - | - | (450) | - | **(450)** |
| Cimentas AS | 6,206 | - | - | - | - | **6,206** |
| Alfacem Srl | - | - | - | - | - | **-** |
| Basi 15 Srl | - | 10 | - | - | - | **10** |
| Svim 15 Srl | - | 2 | - | - | - | **2** |
| Aalborg Portland Holding A/S | 11,530 | 1,228 | - | - | - | **12,759** |
| Cementir Italia SpA | 3,141 | 2,022 | - | (1,660) | - | **3,502** |
| Aalborg Portland A/S | 57 | - | - | - | - | **57** |
| Sinai White Portland Cement Co.S.A.E. | 9 | - | - | - | - | **9** |
| Vianini Lavori SpA | - | - | - | (42) | - | **(42)** |
| Piemme SpA | - | - | - | (22) | - | **(22)** |
| ICAL 2 | - | - | - | - | (652) | **(652)** |
| **Total related parties** | **20,942** | **3,262** | **-** | **(2,174)** | **(652)** | **21,378** |
| **Total financial statements caption** | **22,094** | **4,056** | **(8,714)** | **(12,798)** | **(11,411)** | |
| **% impact on the financial statements caption** | **94.79%** | **80.44%** | **0.00%** | **16.99%** | **5.71%** | |

Revenue from transactions with the subsidiaries Cimentas AS, Aalborg Portland A/S and Cementir Italia SpA refers to fees under the Trademark Licence Agreement and fees for the Cementir Group Intercompany Service Agreement. Operating costs with the subsidiary Cementir Italia, totalling EUR 1,281 thousand, refer to rent payments for the Corso di Francia building, where the company's registered office is located.

Trade receivables refer to invoices for management and branding fees sent to the companies Cimentas, Aalborg Portland and Cementir Italia.

Financial assets refer to interest-bearing loans to Aalborg Portland Holding A/S (EUR 177,808 thousand), Cementir Italia SpA (EUR 211,430 thousand), Basi 15 Srl (EUR 3,389 thousand) and Svim 15 Srl (EUR 992 thousand), non-interest bearing loans to Alfacem (EUR 38,723 thousand) and Cementir Espana (EUR 128 thousand).

Other current liabilities mainly result from the effects of Cementir Holding SpA and Cementir Italia, Betontir, Cementir Sacci and Alfacem joining the national tax consolidation scheme.

### 31) Independent auditors' fees

Fees paid in 2017 to the independent auditors totalled approximately EUR 170 thousand, including EUR 129 thousand for auditing and EUR 41 thousand for other services (2016: EUR 258 thousand, of which EUR 159 thousand for due diligence services).

**32) Events after the reporting period**

On 2 January 2018, Cementir Holding S.p.A. finalised the sale of 100% of the share capital of Cementir Italia S.p.A., including its wholly-owned subsidiaries Cementir Sacci S.p.A. and Betontir S.p.A. (Cementir Italia group) to Italcementi S.p.A., a wholly-owned subsidiary of HeidelbergCement AG.

The enterprise value of the transaction was EUR 315 million on a cash and debt-free basis and the amount was received in full on that date. The price shall be adjusted in line with the terms of the transfer agreement.

On 7 February 2018, the credit line *Facility A* (Term Loan) was repaid for EUR 194.7 million.

No other significant events occurred after the end of the year.

## PROPOSALS FOR THE ALLOCATION OF THE LOSS FOR 2017 OF CEMENTIR HOLDING SPA

The Board of Directors proposes that the shareholders:

AT THEIR ORDINARY MEETING:

- approve the Directors' report on the year 2017 and the financial statements as at 31 December 2017;
- cover the loss for the year of EUR 123,242,525, with EUR 21,332,162 from negative goodwill and to carry forward the remaining loss of EUR 101,910,363, notwithstanding subsequent resolutions adopted during the extraordinary meeting.

AT THEIR EXTRAORDINARY MEETING:

- cover the remaining loss for the year of EUR 101,910,363 by using the full revaluation reserve as per Law No. 266 / 2005 for EUR 4,178,091 and the full revaluation reserve pursuant to Law 342/2000 (2000 and 2003) for EUR 97,732,272;
- not replenish the revaluation reserve pursuant to Law 266/2005 and therefore permanently reduce it by the EUR 4,178,091 used to cover the loss;
- not replenish the revaluation reserve pursuant to Law 342/2000 (years 2000 and 2003) and therefore permanently reduce it by the EUR 97,732,272 used to cover the loss.

AT THEIR ORDINARY MEETING:

- grant shareholders dividends totalling EUR 15,912,000 at EUR 0.10 per ordinary share, using retained earnings for this purpose.

Rome, 8 March 2018

Chairman of the Board of Directors
Francesco Caltagirone Jr.
(signed on the original)

**Statement on the separate financial statements as per article 81-ter of Consob Regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto**

**1.** The undersigned Francesco Caltagirone Jr., Chairman of the Board of Directors, and Massimo Sala, as Manager responsible for financial reporting, of Cementir Holding SpA, hereby state, having also taken into consideration the provisions of Article 154-bis 3/4 of Legislative Decree 58 of 24 February 1998:

- the adequacy, in relation to the characteristics of the Company, and
- the effective application of administrative and accounting procedures for the preparation of the separate financial statements for the year ended 31 December 2017.

**2.** In this regard, there are no findings to report.

**3.** They also state that:

**3.1** The consolidated financial statements:

a) have been prepared in accordance with the applicable IFRS, as endorsed by the European Union as per Regulation (EC) No 1606/2002/EC of the European Parliament and of the Council of 19 July 2002;

b) are consistent with the entries in the accounting books and records;

c) provide a true and fair view of the financial position, financial performance and cash flows of the issuer.

**3.2** The directors' report, prepared for both the separate and consolidated financial statements, includes a reliable analysis of operations and operating results, in addition to the financial position of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 8 March 2018

| | |
|---|---|
| Chairman of the Board of Directors | Manager responsible for financial reporting |
| Francesco Caltagirone Jr.<br>(signed on the original) | Massimo Sala<br>(signed on the original) |

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**(Translation from the Italian original which remains the definitive version)**

# Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of*
*Cementir Holding S.p.A.*

## Report on the audit of the separate financial statements

### *Opinion*

We have audited the separate financial statements of Cementir Holding S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2017, the income statement and the statements of other comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Cementir Holding S.p.A. as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of Cementir Holding S.p.A. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key audit matters*

There are no key audit matters to report.

## *Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Cementir Holding S.p.A. for the separate financial statements*

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the Company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the Company's financial reporting process.

## *Auditors' responsibilities for the audit of the separate financial statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### *Other information required by article 10 of Regulation (EU) no. 537/14*

On 18 April 2012, the shareholders of Cementir Holding S.p.A. appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2012 to 31 December 2020.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

## Report on other legal and regulatory requirements

### *Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98*

The directors of Cementir Holding S.p.A. are responsible for the preparation of the Company's directors' report and report on corporate governance and ownership structure at 31 December 2017 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the Company's separate financial statements at 31 December 2017 and their compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the separate financial statements of Cementir Holding S.p.A. at 31 December 2017 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 27 March 2018

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit