cementirholding
CALTAGIRONE GROUP

# Cementir Holding: Board of Directors approves results for the first half of 2013

- **Revenues: EUR 472.4 million (EUR 462.5 million in the first half of 2012) up 2.2%**
- **EBITDA: EUR 62 million (EUR 55.9 million in the first half of 2012) up 10.8%**
- **Group net profit: EUR 7.4 million (EUR 1.8 million in the first half of 2012)**
- **Net financial debt: EUR 398.6 million, an improvement on the EUR 401 million at 31 March 2013**
- **Performance and financial targets for 2013 confirmed**

**Rome, 26 July 2013 –** The Board of Directors of Cementir Holding, chaired by Francesco Caltagirone jr., today approved Cementir Holding's results for the first half and second quarter of 2013.

## Financial highlights

| (millions of euros) | 1st Half 2013 | 1st Half 2012 | Change % | 2nd Quarter 2013 | 2nd Quarter 2012 | Change % |
|---|---|---|---|---|---|---|
| Revenue | 472.4 | 462.5 | 2.2% | 277.7 | 267.1 | 3.9% |
| EBITDA | 62.0 | 55.9 | 10.8% | 52.8 | 43.4 | 21.8% |
| EBIT | 17.7 | 13.2 | 34.8% | 30.2 | 21.1 | 42.8% |
| Profit before taxes | 15.3 | 4.9 | 215.3% | 29.0 | 16.2 | 78.7% |
| Group net profit | 7.4 | 1.8 | 311.1% | | | |

## Net financial position

| (millions of euros) | 30-06-2013 | 31-03-2013 | 31-12-2012 |
|---|---|---|---|
| Net financial position | 398.6 | 401.1 | 373.0 |

## Sales volumes

| ('000) | 1st Half 2013 | 1st Half 2012 | Change % | 2nd Quarter 2013 | 2nd Quarter 2012 | Change % |
|---|---|---|---|---|---|---|
| Grey and white cement (metric tons) | 4,603 | 4,675 | -1.5% | 2,725 | 2,783 | -2.1% |
| Ready-mixed concrete ($m^3$) | 1,786 | 1,759 | 1.5% | 990 | 935 | 5.9% |
| Aggregates (metric tons) | 1,414 | 1,790 | -21.0% | 939 | 1,072 | -12.4% |

## Group employees

| | 30-06-2013 | 31-03-2013 | 31-12-2012 |
|---|---|---|---|
| Number of employees | 3,239 | 3,286 | 3,311 |

*In the first half of 2013 the Cementir Holding Group posted stronger results for all the main aggregates of the income statement despite especially poor weather conditions in the early part of the year. The buoyancy of the Turkish market and the Far East registered in the first few months of the year was accompanied by the recovery of demand in Scandinavia in the second quarter, which, together with stable performance in Egypt and the containment of losses in Italy, enabled us to achieve the good performance and financial results we had forecast.*

**Revenue** came to EUR 472.4 million (EUR 462.5 million in the first half of 2012), up 2,2% from the first half of 2012, thanks to the strong performance in the main geographical areas in which we operate, with the exception of Italy.

More specifically, revenues in **Scandinavia** were in line with those for the previous year, at around EUR 214 million, with performance differing over the course of the period: unfavourable weather conditions in the first quarter of 2013 had caused a decline in sales volumes of cement and ready-mixed concrete and a consequent decrease in revenues of about EUR 9 million. Better weather in the second quarter of 2013 restarted the construction industry in Norway and Sweden, resulting in an increase in sales of concrete, with average selling prices up by about 5% compared with 2012, enabling us to recoup the revenues lost in the early part of the year.

In **Turkey**, growth in sales of cement and ready-mixed concrete (+7% and +12% over the first half of 2012), accompanied by higher sale prices, caused revenue to rise by about EUR 9 million compared with the first half of 2012.

In the **Far East**, revenue rose by about EUR 3 million thanks to the good performance of sales of white cement in China and Malaysia, both in domestic and export markets, with prices remaining stable or rising slightly.

In **Egypt,** revenue remained at the same level of 2012 (about EUR 29 million) due to diverging trends in the domestic market and exports: despite the worsening political instability, domestic demand remained strong, producing an increase in sales volumes, with a slight rise in sales prices; sales in export markets, however, declined, although prices continued to increase.

No positive signs emerged in **Italy**, after a first quarter affected by cold winter weather: market demand continued to contract, with a 15% decrease in sales of cement in the first half of the year and a consequent decrease of about EUR 12 million in revenue.

**Operating costs**, at EUR 415.1 million, were broadly in line with the first half of 2012, with a slight increase in the cost of raw materials and personnel (+0.8% and +0.3% over 30 June 2012) and a decrease in other operating costs (-1.5% compared with 30 June 2012). The actions taken by management to boost industrial efficiency are beginning to have an impact on the bottom line: the cost of raw materials, in fact, benefited from significant savings on fuel purchases, offsetting the rise in costs for electricity in Denmark, Turkey and Italy, while other operating expenses, down EUR 1.8 million, benefited from the optimization of industrial fixed costs.

**EBITDA** and **EBIT** came to EUR 62.0 million and EUR 17.7 million respectively, improving both in absolute terms (EUR 55.9 million and 13.2 million at 30 June 2012) and in percentage terms: the EBITDA margin came to 13.1%, a recovery of 1.0 percentage point in profitability compared with the same period of 2012.

**Financial management** yielded a negative EUR 2.4 million, a significant improvement over the first half of 2012 (a negative EUR 8.3 million) mainly due to the positive measurement of financial instruments used to hedge commodity prices, exchange rates and interest rates resulting from the greater stability of financial markets.

**Profit before taxes** and **net profit for the period** amounted to EUR 15.3 million and EUR 11.1 million, respectively, sharply up over the results posted at 30 June 2012 (EUR 4.9 million and 4.4 million).

**Group net profit** came to EUR 7.4 million (EUR 1.8 million at 30 June 2012).

**Net financial debt** amounted to EUR 398.6 million, an improvement of EUR 2.5 million over 31 March 2013 (EUR 401.1 million), after the distribution of dividends of EUR 6.5 million in May. In addition, the increase in net debt in the first half of 2013 (EUR 25.6 million), which was attributable to developments in working capital and the annual maintenance of plants, which usually takes place in the early months of the year, was smaller than the increase registered in the first half of 2012 (EUR 48.5 million).

**Total equity** at 30 June 2013 amounted to EUR 1,078.0 million (EUR 1,114.1 million at 31 December 2012).

## Performance in the 2nd quarter of 2013

**Revenue** came to EUR 277.7 million (EUR 267.1 million in the second quarter of 2012), up 3.9% from the previous year, thanks to the confirmation of the positive signals recorded in the first quarter in Turkey and the Far East, and the recovery of market demand in Scandinavia, after a depressed performance early in the year due to unfavourable weather conditions. Revenues in Egypt were in line with the values posted in the second quarter of 2012, while Italy showed no signs of recovery, with decrease of about 20% in revenues.

**Operating costs** amounted to EUR 219.7 million and were substantially in line with the second quarter of 2012, continuing the trend already seen in the first quarter of 2013 and benefiting from management's the tight control of both fixed and variable costs.

**EBITDA** and **EBIT** improved respectively by 21.8% and 42.8% compared with the second quarter of 2012, representing a major recovery in profitability: EBITDA margin is now equal to 19.0% (16.2% in the second quarter of 2012), for the first time in five years approaching the threshold of 20%, which had consistently been achieved in the years preceding the crisis.

**Financial management** yielded a negative EUR 1.2 million (a negative EUR 4.9 million in the 2nd quarter of 2012), reflecting the gradual stabilization in the financial markets in 2013, which ensured the positive measurement of derivative financial instruments used to hedge interest rates, exchange rates and commodity prices.

## **Significant events**

In **Italy**, cement sales declined by about 15% in the first half of 2013, and the forecast for the full year points to a decline of about 18% over the previous year, worse than the projections developed by our trade association. After six years of retreat, the Italian market has now contracted by more than half compared with consumption levels prior to the crisis. To respond effectively to this trend, we have continued efforts to reduce costs and boost profitability. With regard to the transition-to-retirement agreement reached in 2012, which provided for the placement of 70 employees in the scheme, about half of scheduled layoffs were completed in the first half of 2013, with the rest to take place by the end of December. During the period, staff in all areas of Cementir Italia (manufacturing plants, sales offices, distribution centres and headquarters) were involved in the wage supplementation system, affecting an average of 30 people per month. In June 2013, a new transition-to-retirement mechanism was announced, involving a total of 144 employees, aimed at reorganizing production in Italy. This is being accomplished within the negotiation process provided for under the applicable legislation. The new transition-to-retirement agreement is expected to be achieved by September.

With regard to **waste management** activities in Turkey, in the first half of 2013 we finalized investments to be made in the second half of the year to complete the municipal waste treatment plant in Istanbul. Plant performance will be optimized during the first quarter of 2014. According to the plan already provided for at the time of the acquisition, investments in the Neales Waste Management subsidiary in England will also begin in the second half of 2013, with the construction of a waste treatment plant for the recovery of the recycle fraction and the minimisation of the use of landfills.

As regards the business plan, activities to complete implementation of the strategic agreement finalized in 2012 with the group Adelaide Brighton Limited continued in the first half of 2013. The agreement envisages the expansion of production capacity at the white clinker facility in Malaysia and the consequent increase in sales in the Australian market.

In the first half of 2013, the Group companies defined the actions, tools and timetables for achieving a significant recovery in profitability in 2013 and 2014, focusing on increasing the efficiency both of industrial areas and of commercial and staff units. The Group's is seeking to achieve a reduction of about EUR 30 million in operating costs in 2014.

## Outlook

We expect the positive trends recorded in Scandinavia, Turkey, China, Malaysia and the United States in the first half of the year to continue in the second half.

Market developments are difficult to predict in Egypt, given the new phase of political and social unrest the country is experiencing. No signs of a turnaround are expected in Italy.

The performance and financial objectives for 2013 can therefore be confirmed, with the achievement of revenues in excess of EUR 1 billion, EBITDA of more than EUR 150 million and net financial debt of less than EUR 350 million.

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At today's meeting, the Board approved the updated Compliance Model pursuant to Legislative Decree 231/2001 in relation to the introduction of the offenses specified in the Anti-Corruption Act (Law 160/2012).

The Board also approved the activities undertaken by the Audit and Risk Committee during the first half of 2013.

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

*Attached are the statement of financial position and income statement from the statutory and consolidated financial statements. They are provided to offer investors additional information on the performance and financial position of the Company and the Group. The Board of Auditors and the independent auditors are currently reviewing the draft financial statements within the scope of their respective responsibilities.*

***Disclaimer***

*This press release contains forward-looking statements. These statements are based on current expectations and projections of the Group regarding future events and, by their very nature, are exposed to inherent risks and uncertainties. These statements relate to events and depend on circumstances that may or may not occur or exist in the future. Accordingly, readers should not to place undue reliance on them. Actual results may differ materially from those stated due to multiple factors, including: the volatility and deterioration of capital and financial markets, changes in commodity prices, changes in macroeconomic conditions and economic growth and other changes in business conditions, changes in atmospheric conditions, floods, earthquakes or other natural disasters, changes in the regulatory and institutional framework (both in Italy and abroad), production difficulties, including constraints on the use of plants and supplies and many other risks and uncertainties, most of which are outside the Group's control.*

Media Relations
Tel. +39 06 45412365
Fax +39 06 45412300
ufficiostampa@cementirholding.it

Investor Relations
Tel. +39 06 32493481
Fax +39 06 32493274
invrel@cementirholding.it

## CEMENTIR HOLDING GROUP

### Consolidated statement of financial position

| (EUR '000) | 30 June 2013 | 31 December 2012 |
|---|---|---|
| **ASSETS** | | |
| Intangible assets with finite useful life | 41,945 | 44,738 |
| Intangible assets with indefinite useful life | 428,246 | 441,614 |
| Property, plant and equipment | 794,421 | 831,701 |
| Investment property | 99,642 | 104,502 |
| Equity accounted investments | 17,813 | 16,917 |
| Available-for-sale investments | 9,386 | 8,231 |
| Non-current financial assets | 929 | 941 |
| Deferred tax assets | 62,849 | 60,095 |
| Other non-current assets | 8,621 | 7,834 |
| **TOTAL NON–CURRENT ASSETS** | **1,463,852** | **1,516,573** |
| Inventories | 150,079 | 151,721 |
| Trade receivables | 223,973 | 200,568 |
| Current financial assets | 4,433 | 3,361 |
| Current tax assets | 7,234 | 5,146 |
| Other current assets | 15,576 | 13,541 |
| Cash and cash equivalents | 83,219 | 84,251 |
| **TOTAL CURRENT ASSETS** | **484,514** | **458,588** |
| **TOTAL ASSETS** | **1,948,366** | **1,975,161** |
| **EQUITY AND LIABILITIES** | | |
| Share capital | 159,120 | 159,120 |
| Share premium reserve | 35,710 | 35,710 |
| Other reserves | 797,909 | 823,628 |
| Profit attributable to the owners of the parent | 7,404 | 16,462 |
| **EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT** | **1,000,143** | **1,034,920** |
| Profit for the year attributable to the owners of non-controlling interests | 3,703 | 7,582 |
| Reserves attributable to non-controlling interests | 74,182 | 71,621 |
| **EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS** | **77,885** | **79,203** |
| **TOTAL EQUITY** | **1,078,028** | **1,114,123** |
| Employee benefits obligations | 17,045 | 17,542 |
| Non-current provisions | 18,768 | 19,405 |
| Non-current financial liabilities | 206,961 | 220,251 |
| Deferred tax liabilities | 91,755 | 95,150 |
| Other non-current liabilities | 10,570 | 10,820 |
| **TOTAL NON-CURRENT LIABILITIES** | **345,099** | **363,168** |
| Current provisions | 2,273 | 2,537 |
| Trade payables | 170,267 | 191,037 |
| Current financial liabilities | 279,277 | 240,390 |
| Current tax liabilities | 15,373 | 12,104 |
| Other current liabilities | 58,049 | 51,802 |
| **TOTAL CURRENT LIABILITIES** | **525,239** | **497,870** |
| **TOTAL LIABILITIES** | **870,338** | **861,038** |
| **TOTAL EQUITY AND LIABILITIES** | **1,948,366** | **1,975,161** |

## CEMENTIR HOLDING GROUP

### Consolidated income statement

| (EUR '000) | 1st Half 2013 | 1st Half 2012 |
|---|---|---|
| **REVENUE** | **472,418** | **462,474** |
| Change in inventories | (1,477) | 1,388 |
| Increase for internal work | 3,019 | 2,606 |
| Other operating revenue | 3,111 | 4,435 |
| **TOTAL OPERATING REVENUE** | **477,071** | **470,903** |
| Raw materials costs | (215,523) | (213,857) |
| Personnel costs | (78,412) | (78,176) |
| Other operating costs | (121,129) | (122,932) |
| **TOTAL OPERATING COSTS** | **(415,064)** | **(414,965)** |
| **EBITDA** | **62,007** | **55,938** |
| Amortisation and depreciation | (43,669) | (41,449) |
| Provisions | (104) | - |
| Impairment losses | (501) | (1,332) |
| **Total amortisation, depreciation, impairment losses and provisions** | **(44,274)** | **(42,781)** |
| **EBIT** | **17,733** | **13,157** |
| **Share of net profits of equity-accounted investees** | **438** | **939** |
| Financial income | 11,269 | 3,397 |
| Financial expense | (9,906) | (15,032) |
| Foreign exchange rate gains (losses) | (4,199) | 2,403 |
| **Net financial expense** | **(2,836)** | **(9,232)** |
| **NET FINANCIAL EXPENSE AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEES** | **(2,398)** | **(8,293)** |
| **PROFIT (LOSS) BEFORE TAXES** | **15,335** | **4,864** |
| Income taxes | (4,228) | (427) |
| **PROFIT (LOSS) FROM CONTINUING OPERATIONS** | **11,107** | **4,437** |
| **PROFIT (LOSS) FOR THE PERIOD** | **11,107** | **4,437** |
| Attributable to: | | |
| Non-controlling interests | 3,703 | 2,636 |
| **Owners of the parent** | **7,404** | **1,801** |