



**ANNUAL  
REPORT 2017**  
71<sup>th</sup> Financial Year



**ANNUAL  
REPORT 2017**  
71<sup>th</sup> Financial Year

# 1 GENERAL INFORMATION

- 7 Letter from the Chairman
- 10 Group profile
- 12 Global presence
- 16 Performance, financial and equity highlights
- 22 Corporate social responsibility
- 23 Cementir Holding on the stock exchange
- 25 Company officers
- 26 Notice of Ordinary and Extraordinary Shareholders' Meeting

# 2 DIRECTORS' REPORT

- 32 Group performance
- 30 Key events of the year
- 31 Performance by geographical segment
- 37 Investments
- 37 Risks and uncertainties
- 39 Innovation, quality, research & development
- 40 IT systems
- 41 Health, safety and environment
- 41 Human resources
- 44 Other information
- 47 Performance of the parent
- 49 Related party transactions
- 49 Treasury shares

- 51 Reconciliation of the parent's equity at 31 December 2017 and profit (loss) for the year then ended with consolidated equity and profit (loss)
- 51 Corporate governance
- 52 Events after the reporting period
- 52 Business outlook
- 53 Proposals for the allocation of the profit for 2017

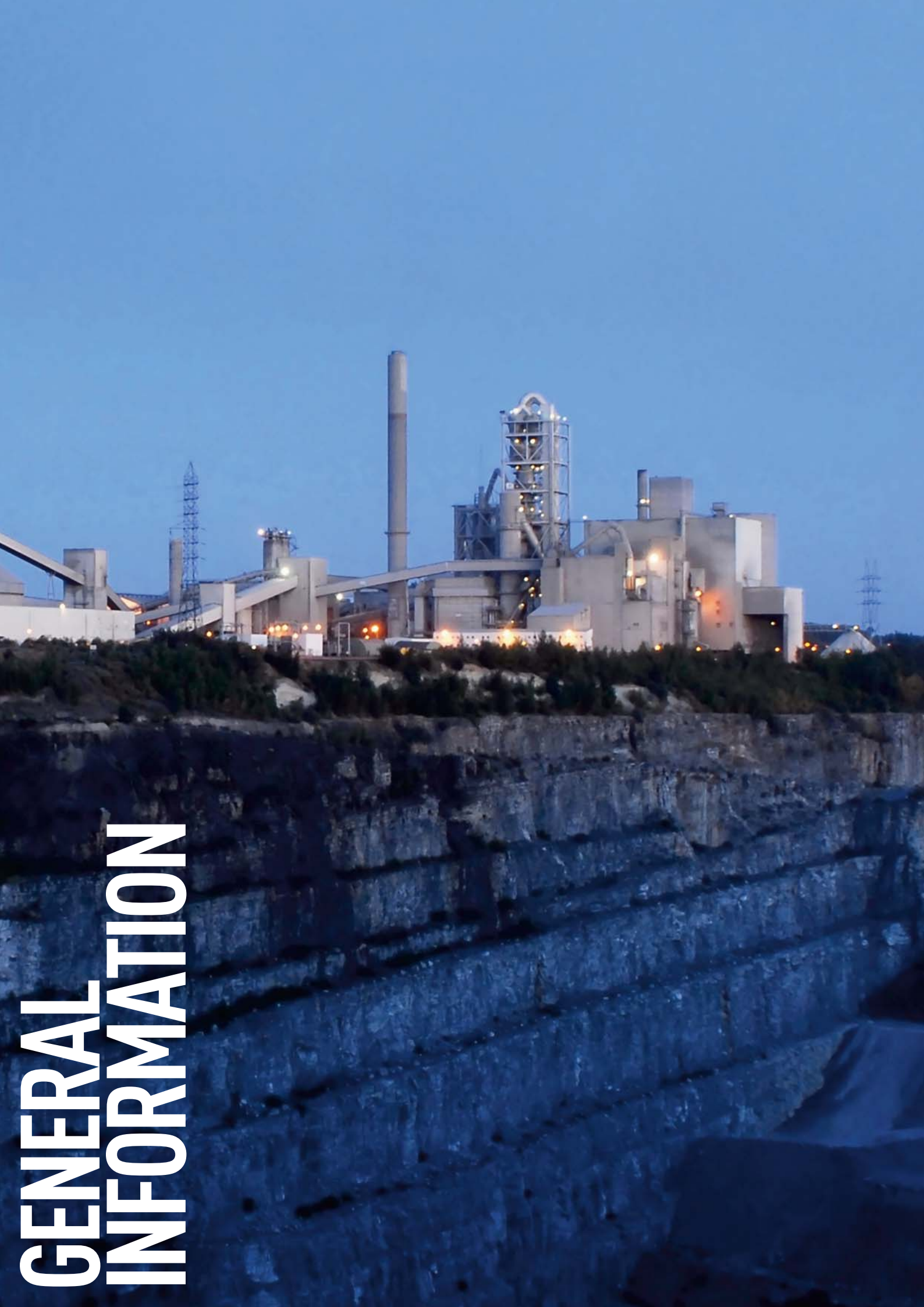
## 3 CONSOLIDATED FINANCIAL STATEMENTS

- 56 Consolidated financial statements
- 65 Notes to the consolidated financial statements
- 118 Annexes to the consolidated financial statements
- 120 Statement on the consolidated financial statements pursuant to article 81-ter of CONSOB Regulation no. 11971/99 and subsequent amendments and integrations
- 122 Report of the Independent Auditors on the consolidated financial statements

## 4 SEPARATE FINANCIAL STATEMENTS

- 130 Separate financial statements
- 137 Notes to the separate financial statements
- 168 Statement on the separate financial statements as per article 81-ter of CONSOB Regulation No. 11971/99 and subsequent amendments and integrations
- 170 Report of the Independent Auditors on the separate financial statements
- 174 Report of the Board of Statutory Auditors
  
- 180 Simplified structure of the Group

# GENERAL INFORMATION



A thick vertical maroon bar runs down the left side of the page. At the bottom of this bar, there is a large maroon number '1' followed by three vertical bars of decreasing height from left to right, also in maroon.

# 1 GENERAL INFORMATION

- 7 Letter from the Chairman
- 10 Group profile
- 12 Global presence
- 16 Performance, financial and equity highlights
- 22 Corporate social responsibility
- 23 Cementir Holding on the stock exchange
- 25 Company officers
- 26 Notice of Ordinary and Extraordinary Shareholders' Meeting

## LETTER FROM THE CHAIRMAN

*Dear Shareholders,*

2017 was another milestone year in Cementir's history, as the Group built on the strategy of focusing on its international presence and long-term growth.

A number of initiatives that helped to change the face of the Group have been brought to a close.

Some of the most important steps in this process, which began towards the end of last year, included: the acquisition in Belgium of the CCB Group (*Compagnie des Ciments Belges*), finalised in October 2016, the sale of the Italian operations announced in the fourth quarter of 2017 and, in February 2018, the agreement to acquire Lehigh White Cement Company in the United States.



These three deals have radically altered the Group, whose revenue now comes exclusively from outside Italy. Through the CCB Group, we have diversified into the grey cement sector in Belgium, shifting the focal point of our geographical presence from the Mediterranean to Central Europe, strengthening our portfolio with a significant position in both the aggregates and ready-mixed concrete business in Benelux and France.

Mergers and acquisitions will remain at the heart of the Group's future strategy, which will be carried out with the usual financial rigour and uncompromising focus on return on investment.

Last year closed with EBITDA of EUR 222.7 million, up on the preceding year's EUR 197.8 million. This was driven by the 12-month consolidation of the CCB group and the uptick in business in China, United Kingdom, Norway and Sweden, substantially offsetting the deterioration in results in Turkey, Egypt and Malaysia, and the negative impact of the fall in the value of the Turkish lira and the Egyptian pound.

Group net profit was also up 6% to EUR 71.5 million from EUR 67.3 million in 2016. On the financial front, return on investment and ROE both improved and net financial debt fell.

As shown by the agreement to acquire a majority stake in Lehigh White Cement Co. in the United States, developing our leadership in white cement is at the heart of our international strategy. The aim is to cultivate global recognition of the role and quality of Cementir products, with a focus on product innovation and new applications.

There is still untapped potential for white-cement products. Now, thanks to the know-how we have acquired over the years, we intend to expand our customer offering still further, with a view to consolidating our market positioning.

To this end, we have created a global driver of innovation for white cement called *InWhite*. The aim is to come up with a series of high added-value initiatives for customers, so that we can offer new solutions for traditional applications as well as absolutely innovative applications.

This is a complex challenge and we will only succeed if we present ourselves to the market as one cohesive and fully integrated group, with even the recently acquired companies working towards a shared objective and presenting a consistent Cementir brand to the world. To succeed, we must instil a new Group culture that reflects everyone who works at Cementir.

Shared values, a shared vision, a single mission and a standardised leadership model for people to follow in their professional development are the keys to this integration process, which is essential for the growth of the Group.

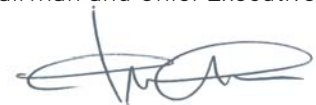
The message that we have chosen to inspire our organisation and guide our people in the years to come is *Concretely Dynamic*. That means that we must be concrete and determined in pursuing our goals, while also being dynamic, flexible and ready to seize the best opportunities.

We therefore aim to grow, yet without neglecting respect for sustainable development that starts within our own business – for example in waste management – and also includes respect for the environment, personal development and engagement with the communities affected by our industrial activities.

We also want sustainability to be a driving force in developing an innovative way of doing our work. We must be ready to confront the new challenges that the international approach to climate change and sustainable development pose for our industry, while also seeing sustainability more and more as a key factor in our strategy and future actions.

Sure in the knowledge that we all share this aim, I would like to thank our shareholders, employees and everyone who worked with us in 2017 to help achieve these results, which today make us proud to be part of the Cementir Group.

**Francesco Caltagirone Jr.**  
Chairman and Chief Executive Officer





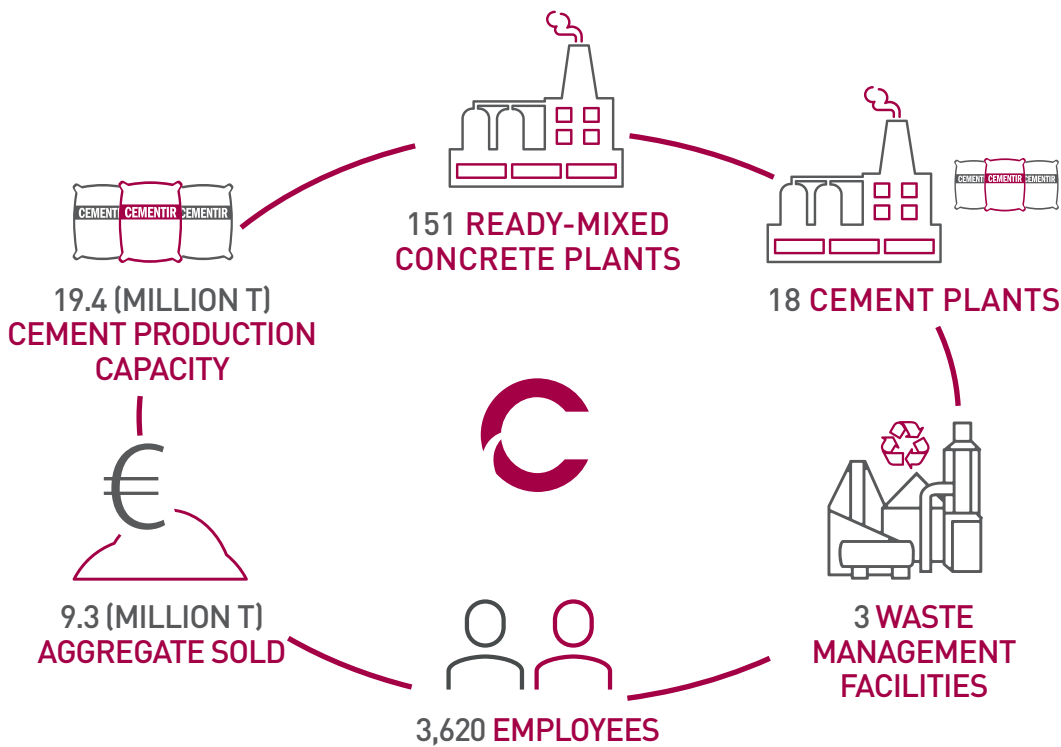
## GROUP PROFILE

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.

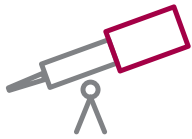




## IDENTITY

Cementir is an International Group that:

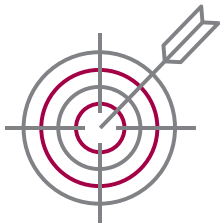
- aspires to be a product leader;
- believes that continuously seeking quality in every business process is the key to success;
- is dynamic on the market, constantly seeking new opportunities;
- gives importance to the growth of its employees, its shareholders and the communities in which it operates;
- believes in sustainable development and works to achieve it;
- believes that diversity is an element of strength and value on which to base its actions.



## VISION

We want to maintain our uniqueness on the market through product segmentation and business diversification.

We want to create value, thanks to an agile organization capable of sustaining growth, respecting the environment and fostering integration with local communities.



## MISSION

We develop our growth through product leadership and a continuous improvement of processes.

We work dynamically to seize the best opportunities, leveraging our know-how and our people's flexibility.

We adapt our organization to the territory where it operates, to increase its value and to ensure mutual benefit.



## VALUES

### Dynamism

We look beyond to anticipate and seize the best opportunities. Being dynamic and flexible is the feature that makes us unique on the market and allows us to quickly meet our customers' demands.

### Quality

We engage and invest in constantly improving the quality of our products. We seek the efficiency and effectiveness of our processes.

### Value of people

We build relationships with our employees and stakeholders that last over time. We believe it is our responsibility to recognize the merits and abilities of our people and anyone working with the Group.

### Diversity and inclusion

We consider diversity and inclusion a great asset. We work every day promoting diversity in all its forms and expressions.

### Sustainability

We believe that there can be no success without respect for the environment. We are responsible for the communities in which we live and work. It is our responsibility to take care of our property while safeguarding the environment and natural resources.

## GLOBAL PRESENCE

Grey cement production capacity	Cement plants
<b>16.1 million t</b>	<b>18</b>
White cement production capacity	Terminals
<b>3.3 million t</b>	<b>30</b>
Grey cement sales	Ready-mixed concrete plants
<b>10.5 million t</b>	<b>151</b>
White cement sales	Quarries
<b>2.3 million t</b>	<b>10</b>
Ready-mixed concrete sales	Cement product plants
<b>5.1 million m<sup>3</sup></b>	<b>1</b>
Aggregate sales	Waste management facilities
<b>9.3 million t</b>	<b>3</b>



## 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**

### Iceland

Terminals: **3**

### Latvia

Terminals: **1**

### Netherlands

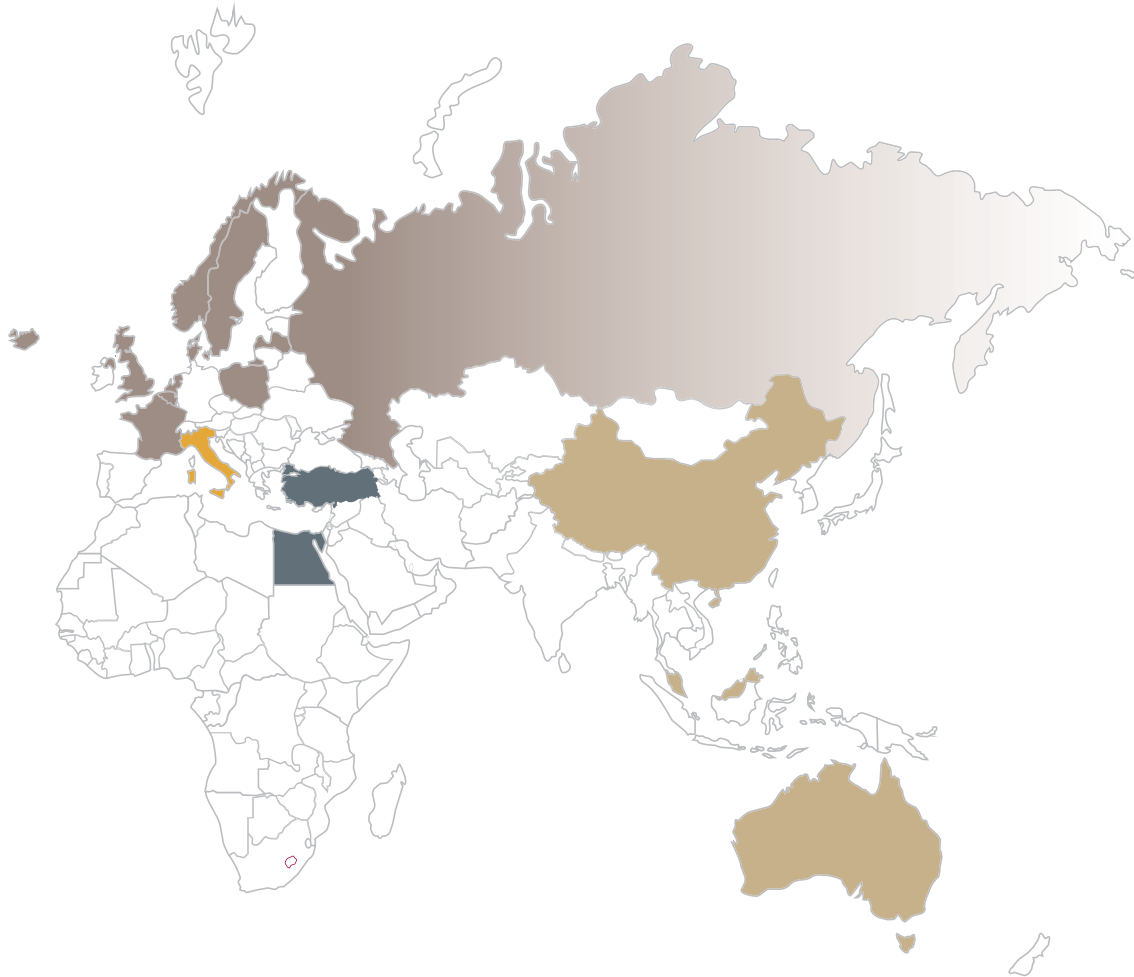
Terminals: **1**

### Poland

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**



## 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 <sup>3</sup> )	2017	2016
<b>Denmark</b>		
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
<b>Belgium / France</b>		
Grey cement sales	1.90	0.25
Ready-mixed concrete sales	0.97	0.14
Aggregate sales	5.18	0.86
<b>Norway</b>		
Ready-mixed concrete sales	1.00	0.91
<b>Sweden</b>		
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 <sup>3</sup> )	2017	2016
<b>Turkey</b>		
Grey cement sales	4.50	4.30
Ready-mixed concrete sales	1.56	1.89
<b>Egypt</b>		
White cement sales	0.54	0.51

## ASIA PACIFIC

- 2 White cement plants
- 4 Terminals

Volumes sold (million/t)	2017	2016
<b>China</b>		
White cement sales	0.65	0.66
<b>Malaysia</b>		
White cement sales	0.32	0.31

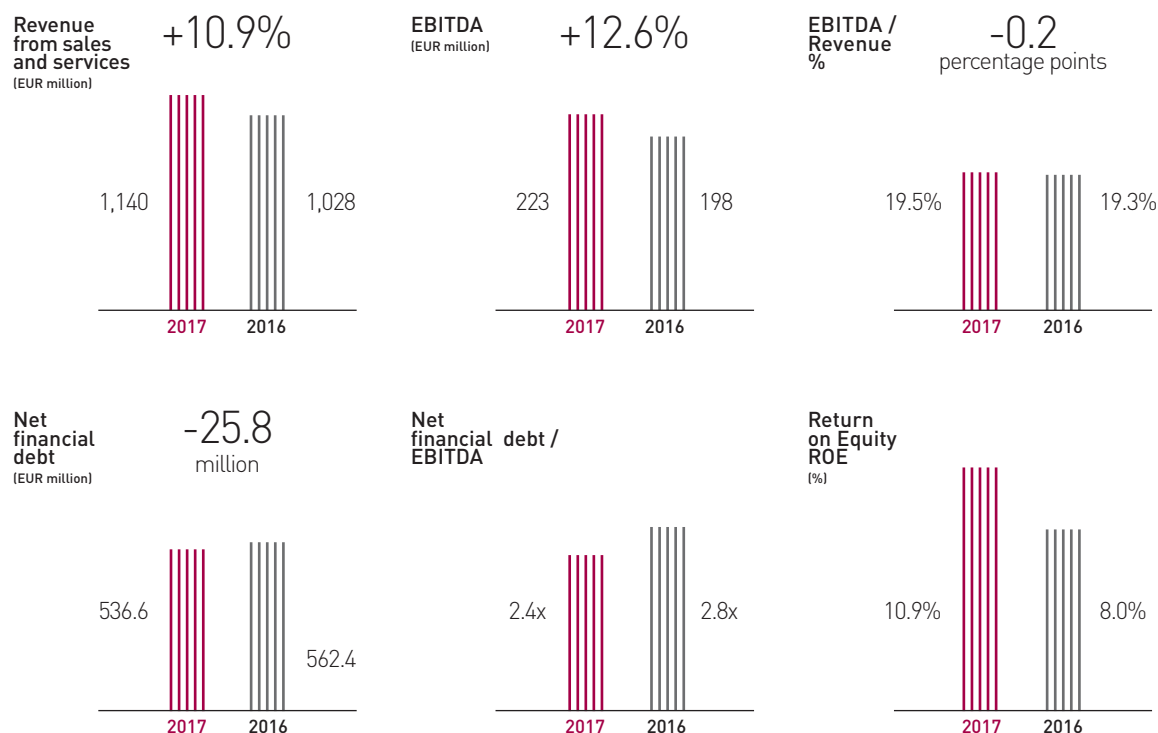
## CENTRAL MEDITERRANEAN

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

Volumes sold (million/t-m <sup>3</sup> )	2017	2016
<b>Italy</b>		
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.

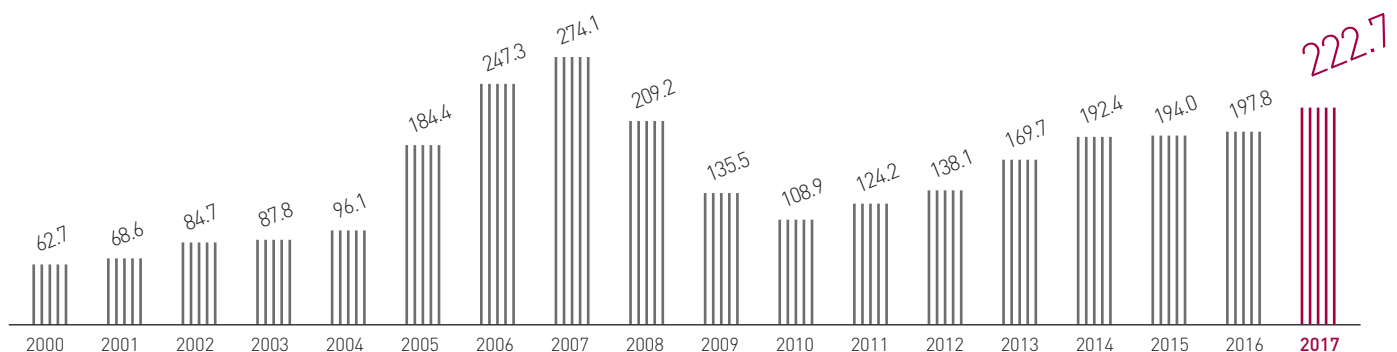
## Sales volumes

[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 <sup>3</sup> )	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

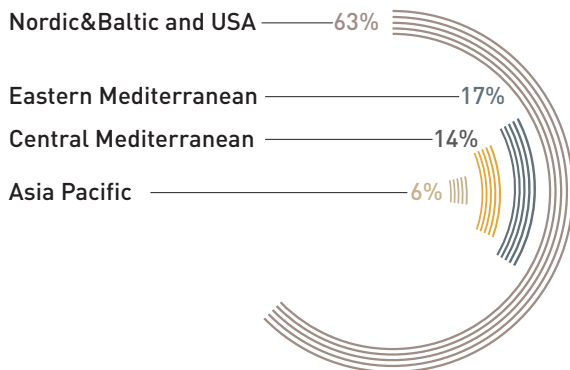
[EUR million]



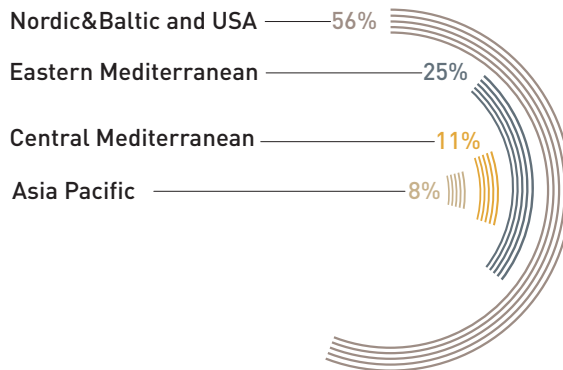


## Revenue from sales and services by geographical segment<sup>1</sup>

### 2017



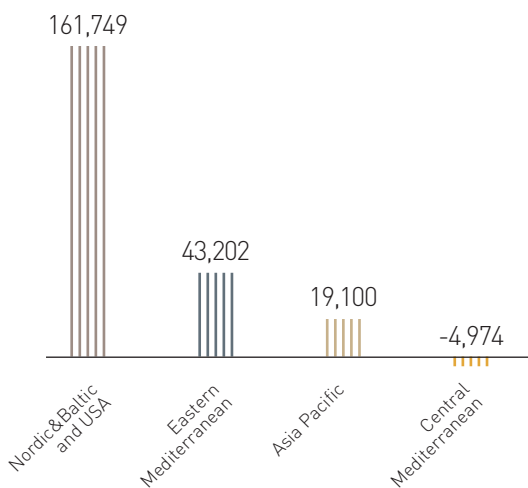
### 2016



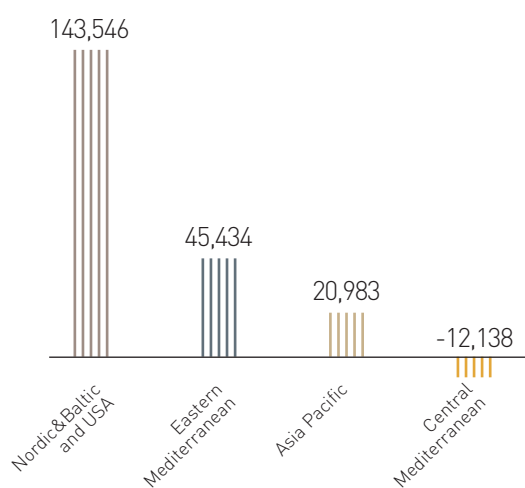
[EUR'000]	2017	2016	Change%
Nordic & Baltic and USA	829,081	586,151	41.4%
Eastern Mediterranean	229,585	260,162	-11.8%
Asia Pacific	83,002	80,887	2.6%
Central Mediterranean	183,418	112,582	62.9%
Eliminations	(37,538)	(12,204)	207.6%
<b>Total revenue from sales and services</b>	<b>1,287,549</b>	<b>1,027,578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

## EBITDA by geographical segment

### 2017



### 2016



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

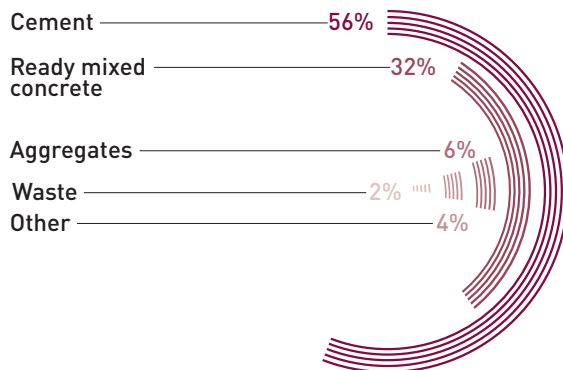
<sup>1</sup>The figures by geographical segment include the contribution of the Cementir Italia Group.

<sup>2</sup>Includes non-recurring revenue of EUR 15.1 million in 2016.

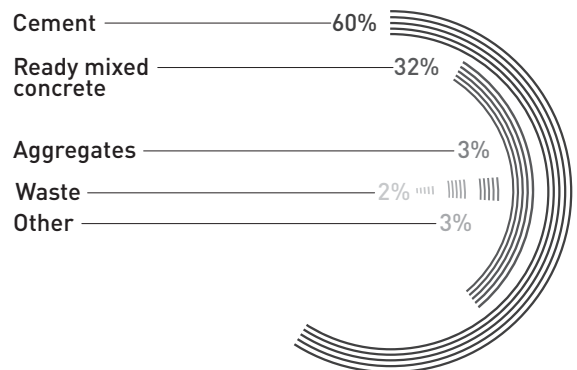
<sup>3</sup>Includes non-recurring revenue of EUR 10.1 million in 2017.

## Revenue from sales and services by business segment<sup>4</sup>

### 2017



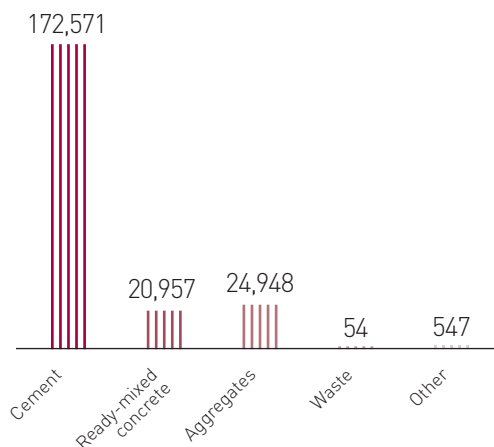
### 2016



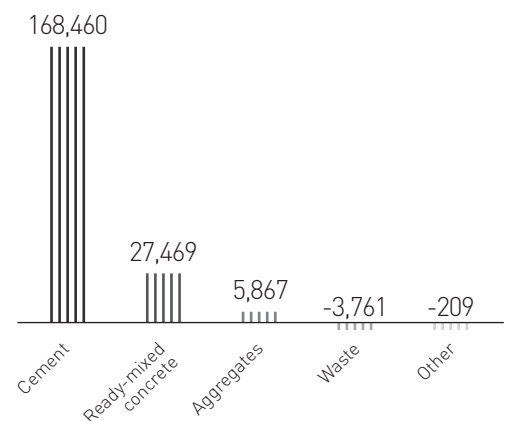
[EUR'000]	2017	2016	Change %
Cement	777,711	669,326	16.2%
Ready-mixed concrete	447,498	361,520	23.8%
Aggregates	82,506	30,777	168.1%
Waste	24,264	25,356	-4.3%
Other	55,820	28,672	94.7%
Eliminations	(100,251)	(88,074)	13.8%
<b>Total revenue from sales and services</b>	<b>1,287,549</b>	<b>1,027,578</b>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

## EBITDA by business segment

### 2017



### 2016



[EUR'000]	2017	2016	Change %
Cement <sup>5</sup>	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	547	(209)	361.7%
<b>Total EBITDA</b>	<b>219,077</b>	<b>197,826</b>	<b>10.7%</b>

<sup>4</sup>The figures by business segment include the contribution of the Cementir Italia Group.

<sup>5</sup>Includes non-recurring revenue of EUR 10.1 million in 2017 and EUR 15.1 million in 2016.

## Cementir Holding on the Stock Exchange

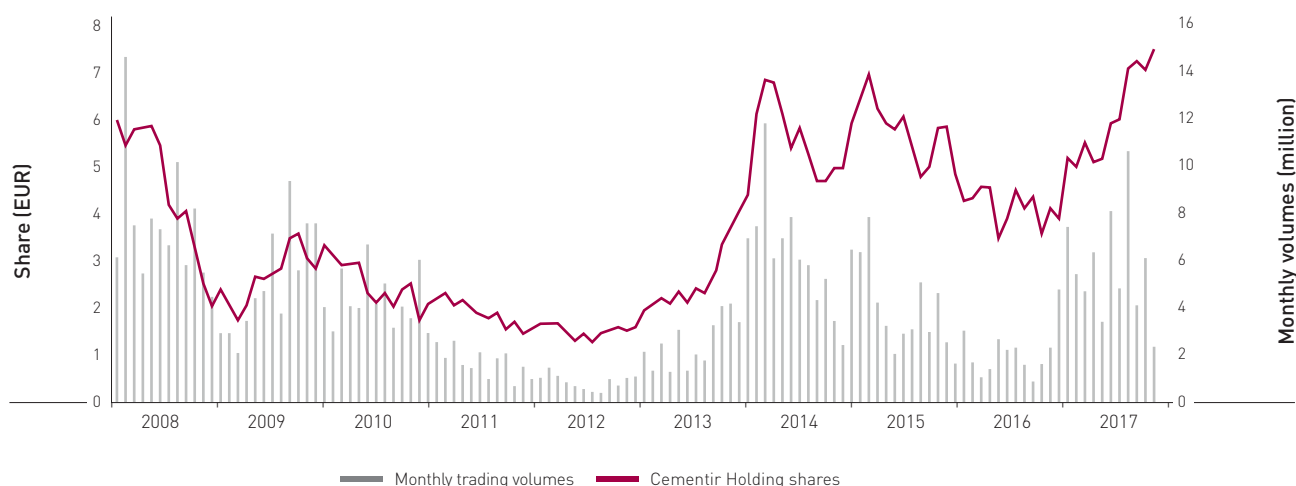
### Key market data

[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	0.10	0.10	0.10	0.08
Pay-out ratio	21.8%	23.7%	23.6%	22.2%	31.7%
Dividend yield (1)	1.3%	2.4%	1.7%	2.0%	1.9%
Market capitalisation (EUR million)(1)	1,201.4	668.6	939.6	798.0	662.3
Share price (EUR)					
<i>Low</i>	3.86	3.30	4.68	4.05	1.67
<i>High</i>	7.63	5.92	7.12	7.49	4.20
<i>Year-end price</i>	7.55	4.20	5.91	5.02	4.16

<sup>1</sup> Figures are calculated on the basis of the year-end price.

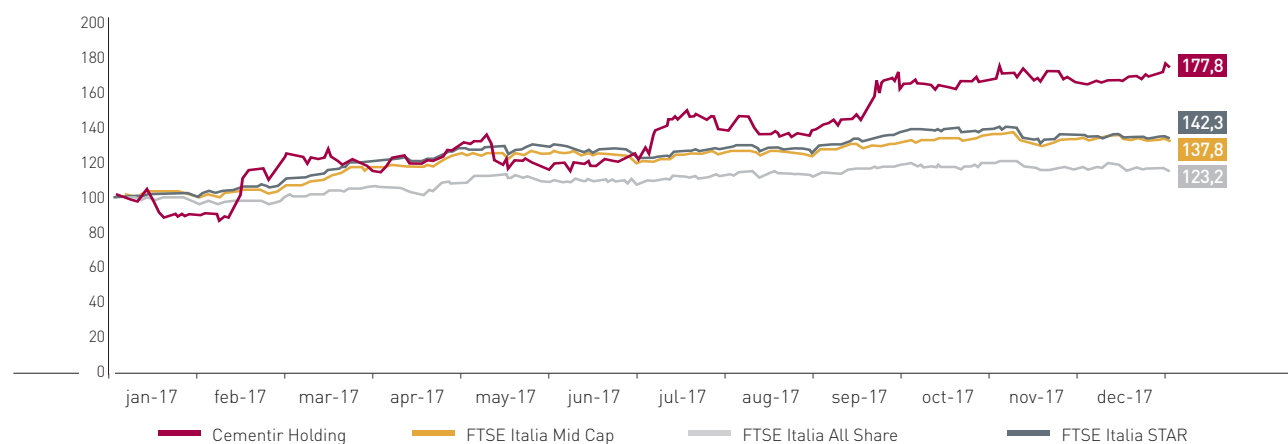
## Performance of Cementir Holding shares

(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 2 January 2017 = 100)



## Company officers

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

<sup>1</sup> Director only fulfils the independence requirements set out in Article 148, paragraph 3 of Legislative Decree No. 58 of 24 February 1998, as amended.

<sup>2</sup> The Director Mario Ciliberto resigned on 2 January 2018.

<sup>3</sup> Lead Independent Director.

## NOTICE OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Shareholders are hereby called to the Ordinary and Extraordinary Shareholders' Meeting to be held at the Company's registered office in Rome at Corso di Francia, 200, on single call, on **19 April 2018** at **11.30** a.m., to resolve upon the following:

### Agenda

#### Ordinary Session

1. Financial statements as of 31 December 2017. Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors. Allocation of the next result for the year. Related resolutions. Presentation of the Group's consolidated financial statements as of 31 December 2017.

#### Extraordinary Session

1. Proposal not to reconstitute, pursuant to Article 13, paragraph 2 of law 342/2000, the revaluation reserve as per law no. 266/2005 and the revaluation reserve as per law no. 342/2000, entirely used to cover the residual loss recorded in the year 2017. Related and consequent resolutions.

#### Ordinary Session

2. Motion for the distribution of a dividend. Related and consequent resolutions.
3. Election of the Board of Directors for the 2018-2020 term:
  - a) Determination of the number of members of the Board of Directors;
  - b) Appointment of the members of the Board of Directors;
  - c) Determination of the remuneration of the members of the Board of Directors.
3. Remuneration Report: resolutions in relation to the first section pursuant to Article 123-ter, paragraph 6 of Legislative Decree No. 58/98.

#### Share Capital

The share capital of Cementir Holding S.p.A. ("**Company**") is equal to Euro 159,120,000 and is divided into No. 159,120,000 ordinary shares with a nominal value of 1.00 euro each. Each share grants the shareholder one vote. As of today the Company does not hold any shares belonging to its own share capital.

#### Title to participate at the Shareholders' Meeting and Voting Right

Pursuant to Article 83-*sexies* Legislative Decree No. 58/98 ("*Consolidated Financial Act*") and the Bylaws, the right to intervene in the Shareholders' Meeting and exercise the right to vote is attested by a communication made to the Company by the authorized intermediary ("*Intermediary*"), based on the accounting records by the end of the accounting day of the seventh trading day before the date of the Shareholders' Meeting (10 April 2018 - Record Date). The Intermediary's notification must reach the Company by the end of the third trading day prior to the day set for the Shareholders' Meeting (16 April 2018). Nevertheless, Shareholders will be entitled to attend and vote even if said notification has reached the Company after said time limit, provided it is received prior to the beginning of the Meeting. Anyone becoming a shareholder after the Record Date will not be entitled to attend or vote at the Shareholders' Meeting. Please note that the statement is sent to Company by the Intermediary upon request of the person entitled to the right. Those entitled to vote are required to give instructions to the Intermediary that keeps the related accounts to send the aforementioned statement to the Company.

## **Representation at the Shareholders' Meeting**

### ***Ordinary proxy***

All those having the right to vote may be represented in the Shareholders' Meeting by means of a written proxy or by an electronic document duly signed electronically pursuant to art 21, paragraph 2, of the Legislative Decree no. 82/2005 according to the applicable law. For this purpose, it may be granted using the proxy form available on the Company's website [www.cementirholding.it](http://www.cementirholding.it). The proxies, together with the certificate certifying the ownership of the share and copy of an identification document, can be transmitted to the Company with a registered letter sent to the Company's registered office (addressed to Cementir Holding S.p.A. – Department of Legal Affairs – Corso di Francia no. 200 – 00191 Rome) or by fax to No. +39 0632493324 or with an electronic communication sent to the certified email address: [legale@pec.cementirholding.it](mailto:legale@pec.cementirholding.it).

### ***Proxy to the representative appointed by the Company***

Proxies may also be granted, with voting instructions, to the delegate Mr. Domenico Sorrentino, who was designated by the Company for this purpose pursuant to Article 135-*undecies* of the Consolidated Financial Act. Any proxy granted to the abovementioned designated representative must be given in the manner specified in the proxy statement provided for this purpose which will be available on the Company website [www.cementirholding.it](http://www.cementirholding.it), setting out how to communicate the proxies to the Company by the end of two trading days before the date of the Shareholders' Meeting (17 April 2018). The proxy will be effective only for those motions for which voting instructions are provided. The proxy and the voting instructions are revocable within the same period as above mentioned.

Shareholders are hereby reminded that votes may not be cast by mail or electronically.

## **Additions to the items on the Agenda and Submission of Motions**

Pursuant to Article 126-*bis* of the Consolidated Financial Act, the Shareholders who represent, also jointly, at least one-fortieth of the share capital may send a request, within 10 days of publication of this notice (19 March 2018), to add items on the agenda, indicating with a written request the additional items proposed or submit additional motions to those already on the agenda.

These requests must be submitted in writing, together with the certificate certifying the ownership of the share and copy of an identification document, with a registered letter sent to the Company's registered office (addressed to Cementir Holding S.p.A. – Department of Legal Affairs – Corso di Francia no. 200 – 00191 Rome) or by fax to No. +39 0632493324 or with an electronic communication sent to the certified email address [legale@pec.cementirholding.it](mailto:legale@pec.cementirholding.it).

Additions cannot be made for items that the Shareholder's Meeting is called upon to decide, pursuant to the law or that are proposed by the Directors based on a project or a report they have prepared.

By the same deadline and in the same manner, the requesting shareholders must provide a report explaining the reason for motions concerning new subjects that they suggest to be considered or the reason for the additional motions regarding items already on the agenda. Items added to the agenda or additional motions to those already on the agenda will be announced in the same manner required for the publication of the notice of Shareholders' Meeting at least 15 days prior to the date set for the Shareholders' Meeting. Please note that a person entitled to vote may, individually, submit motions to be considered in the Shareholders' Meeting regarding only items on the agenda.

### **Right to ask questions before the Shareholders' Meeting**

Pursuant to Article 127-ter of the Consolidated Financial Act the Shareholders entitled to vote may submit questions about the items on the Agenda, also before the Shareholders' Meeting, within the third day prior to the date of the Shareholders' Meeting (16 April 2018), with a registered letter sent to the Company's registered office (addressed to Cementir Holding S.p.A. – Department of Legal Affairs – Corso di Francia no. 200 – 00191 Rome) or by fax to No. +39 0632493324 or with an electronic communication sent to the certified email address: legale@pec.cementirholding.it, together with the certificate issued by the Intermediary certifying the entitlement to attend and vote in the Shareholders' Meeting and copy of an identification document. Questions received before the Shareholders' Meeting will be answered at the latest during the Shareholders' Meeting, and the Company may reserve the right to provide a single answer for questions with the same content.

### **The slate vote for the Election of the Members of the Board of Directors**

Pursuant to the Article 147-ter of the Consolidated Financial Act and the Article 5 of the Articles of Association, the members of the Board of Directors will be elected by slate voting presented by Shareholders.

Shareholders that, on their own or along with the other shareholders contributing towards the submission of the slate, taken together own at least 1% of the share capital entitled to vote at the ordinary Shareholders' Meeting, are entitled to submit slates.

The slates, together with the necessary documentation, shall be filed by the shareholders at the Company's registered office (in Corso di Francia no.200 – 00191 Rome – from Monday to Friday from 9:00 am to 5:00 pm) or by fax to No. +39 0632493324 or by an electronic communication sent to the certified mail address: legale@pec.cementirholding.it at least twenty-five days before the Shareholders' Meeting (25 March 2018).

The ownership of the minimum shareholding required for the submission of the lists, to the extent indicated above, is determined with regard to the shares registered in favor of the shareholder the day on which the lists are filed with the company. The relevant certification can be also provided after the filing of the list, as long as within the deadline for the publication of the lists by the company (29 March 2018), by notice issued by an authorized intermediary by the terms and means set by law.

Each shareholder may file, alone or with others, only one slate containing a maximum number of fifteen candidates listed in consecutive order and vote only one slate. Each candidate may appear only on one slate, under penalty of having his/her candidacy rejected.

Please note that the Articles of Association provides that the composition of the Board of Directors shall in any case ensure balanced gender representation in accordance with the regulations in force at the time and therefore each slate containing a number of candidates equal to or greater than three should be composed in such a way to ensure that the less represented gender be reserved a share of at least one third of the appointed Directors.

Besides, according to the Articles of Association, candidates possessing the independence requisites requested by the law must be indicated in the slates.

Therefore, each slate with not more than seven candidates named has to contain and expressly name at least one Independent Director (i.e. meeting the requirements of independence applicable to the statutory auditors of listed companies, which are defined by Article 148 of the Consolidated Financial Act referenced by art.147-ter of the Consolidated Financial Act). If the slate is made up of more than seven candidates, such list shall include and expressly name at least two Independent Directors.

Shareholders are invited to also take into account the independence requirements and the number of independent directors recommended by Article 3 of the Corporate Governance Code for Listed Companies. All candidates shall also meet the integrity requirement applicable to the statutory auditors of listed companies under Article 148 paragraph 4 of the Consolidated Financial Act, which also applies to directors pursuant to Article 147-quinquies, of the Consolidated Financial Act.

The slates must be filed along with the documentation and information required by the Articles of Association and by applicable laws, including

(i) information on the identity of the Shareholders presenting slates and information about the percentage of their overall investment held;

(ii) the curriculum vitae illustrating the personal information and professional qualifications of each candidate, as well as the statements in which the individual nominees certify, under their own responsibility, that no cause of ineligibility or incompatibility exists, as well as and that they possess the requisites prescribed by the laws and regulations in force and that they accept their candidacies, and (if applicable) the possession of the independence requirements established by law and the possibility to qualify as independent in accordance with the Corporate Governance Code;

(iii) a statement from Shareholders presenting the slates other than those that hold, also jointly, a controlling stake or relative majority, certifying the absence of any relationships of affiliation with such Shareholders pursuant to Article 144-quinquies of Consob Resolution no. 11971 of May 14, 1999 ("Issuers' Regulation"), taking also into account the recommendations made by Consob with Communication no. DEM/9017893 of February 26, 2009.

Please note that lists that do not fulfil the above provisions will be considered as not submitted.

Additional information concerning the appointment of members to the Board of Directors is found on the Directors' report on the agenda of the Shareholders' Meeting pursuant to Article 125-ter of Consolidated Financial Act which is available to the public beginning today at the Company registered office and on its website and on the authorized storage device managed by Spafid Connect S.p.A. at [www.emarketstorage.com](http://www.emarketstorage.com).

#### **Documentation**

The documentation related to the items on the agenda will be made available to public, as specified by the provisions of applicable law and regulations, at the Company's registered office, on the Company's website [www.cementirholding.it](http://www.cementirholding.it) and on the authorized storage device managed by Spafid Connect S.p.A. at [www.emarketstorage.com](http://www.emarketstorage.com).

The Shareholders are entitled to request a copy.

This notice is published, pursuant to art. 125-bis Consolidated Financial Act on the Company's website [www.cementirholding.it](http://www.cementirholding.it), on the authorized storage device managed by Spafid Connect S.p.A. at [www.emarketstorage.com](http://www.emarketstorage.com) and in abstract on the "Il Messaggero" newspaper on 10 March 2018.

Rome, 9 March 2018

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





# DIRECTORS' REPORT



# 2 | DIRECTORS' REPORT

- 26 Group performance
- 30 Key events of the year
- 31 Performance by geographical segment
- 37 Investments
- 37 Risks and uncertainties
- 39 Innovation, quality, research & development
- 40 IT systems
- 41 Health, safety and environment
- 41 Human resources
- 44 Other information
- 47 Performance of the parent
- 49 Related party transactions
- 49 Treasury shares
- 50 Reconciliation of the parent's equity at 31 December 2017 and profit (loss) for the year then ended with consolidated equity and profit (loss)
- 50 Corporate governance
- 52 Events after the reporting period
- 52 Business outlook
- 53 Proposals for the allocation of the profit for 2017

## 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 to 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 <sup>1</sup>
<b>REVENUE FROM SALES AND SERVICES</b>	<b>1,140,006</b>	<b>1,027,578</b>	<b>10.9%</b>	<b>925,806</b>
Change in inventories	623	3,263	-80.9%	986
Other revenue <sup>2</sup>	29,415	37,558	-21.7%	32,055
<b>TOTAL OPERATING REVENUE</b>	<b>1,170,044</b>	<b>1,068,399</b>	<b>9.5%</b>	<b>958,847</b>
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)
<b>TOTAL OPERATING COSTS</b>	<b>(947,347)</b>	<b>(870,573)</b>	<b>8.8%</b>	<b>(750,345)</b>
<b>EBITDA</b>	<b>222,697</b>	<b>197,826</b>	<b>12.6%</b>	<b>208,502</b>
<i>EBITDA Margin %</i>	<i>19.53%</i>	<i>19.25%</i>		<i>22.52%</i>
Amortisation, depreciation, impairment losses and provisions	(82,132)	(103,167)	-20.4%	(72,936)
<b>EBIT</b>	<b>140,565</b>	<b>94,659</b>	<b>48.5%</b>	<b>135,566</b>
<i>EBIT Margin %</i>	<i>12.33%</i>	<i>9.21%</i>		<i>14.64%</i>
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
<b>NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY ACCOUNTED INVESTEES</b>	<b>(13,912)</b>	<b>23,936</b>	<b>-158.1%</b>	<b>24,266</b>
<b>PROFIT BEFORE TAXES</b>	<b>126,653</b>	<b>118,595</b>	<b>6.8%</b>	<b>159,832</b>
<i>PROFIT BEFORE TAXES / REVENUE %</i>	<i>11.11%</i>	<i>11.54%</i>		<i>17.26%</i>
INCOME TAXES	(16,393)	(33,246)	-50.7%	(40,891)
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>110,260</b>	<b>85,349</b>	<b>29.2%</b>	<b>118,941</b>
<b>LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX</b>	<b>(33,094)</b>			<b>(33,592)</b>
<b>PROFIT FOR THE YEAR</b>	<b>77,166</b>	<b>85,349</b>	<b>-9.6%</b>	<b>85,349</b>
PROFIT FOR THE YEAR ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	5,695	18,079	-68.5%	18,079
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>71,471</b>	<b>67,270</b>	<b>6.2%</b>	<b>67,270</b>

### Sales volumes

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

<sup>1</sup> 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".

<sup>2</sup> "Other revenue" includes the income statement captions "Increase for internal work" and "Other operating revenue".

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

[Euro '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 <sup>3</sup>	536,624	562,438

<sup>3</sup>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.

**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.

**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
Return on Equity*	10.86%	11.71%
Return on Capital Employed**	9.06%	8.73%

\* Profit from continuing operations/Equity

\*\* EBIT/(Equity + Net financial debt)

Financial Indicators	2017	2016
Equity ratio*	43.09%	43.54%
Net Gearing Ratio**	52.84%	53.05%

\* Equity/Total Assets

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

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

(\*) Includes EUR 15.1 million of 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 %
<b>Revenue from sales</b>	<b>229,585</b>	<b>260,162</b>	<b>-11.8%</b>
<i>Turkey</i>	<i>193,142</i>	<i>214,913</i>	<i>-10.1%</i>
<i>Egypt</i>	<i>36,443</i>	<i>45,249</i>	<i>-19.5%</i>
<i>Eliminations</i>	-	-	
<b>EBITDA</b>	<b>43,202</b>	<b>45,434</b>	<b>-4.9%</b>
<i>Turkey</i>	<i>31,555</i>	<i>32,060</i>	<i>-1.6%</i>
<i>Egypt</i>	<i>11,647</i>	<i>13,373</i>	<i>-12.9%</i>
<b>EBITDA Margin %</b>	<b>18.8%</b>	<b>17.5%</b>	
<b>Investments</b>	<b>13,405</b>	<b>16,491</b>	

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 %
<b>Revenue from sales</b>	<b>83,002</b>	<b>80,887</b>	<b>2.6%</b>
<i>China</i>	<i>44,129</i>	<i>41,774</i>	<i>5.6%</i>
<i>Malaysia</i>	<i>38,966</i>	<i>39,269</i>	<i>-0.8%</i>
<i>Eliminations</i>	<i>(93)</i>	<i>(156)</i>	
<b>EBITDA</b>	<b>19,100</b>	<b>20,983</b>	<b>-9.0%</b>
<i>China</i>	<i>11,166</i>	<i>10,536</i>	<i>6.0%</i>
<i>Malaysia</i>	<i>7,933</i>	<i>10,447</i>	<i>-24.1%</i>
<b>EBITDA Margin %</b>	<b>23.0%</b>	<b>25.9%</b>	
<b>Investments</b>	<b>3,252</b>	<b>2,322</b>	

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 <sup>4</sup>	2016	Change %
<b>Revenue from sales</b>	<b>183,418</b>	<b>112,582</b>	<b>62.9%</b>
<i>Italy</i>	<i>183,418</i>	<i>112,582</i>	<i>62.9%</i>
<b>EBITDA</b>	<b>(4,974)</b>	<b>(12,138)</b>	<b>59.0%</b>
<i>Italy</i>	<i>(4,974)</i>	<i>(12,138)</i>	<i>59.0%</i>
<b>EBITDA Margin %</b>	<b>-2.7%</b>	<b>-10.8%</b>	
<b>Investments</b>	<b>10,635</b>	<b>11,459</b>	

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.

<sup>4</sup> The 2017 figures benefit from the contribution of Cementir Sacci, acquired on 29 July 2016

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

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)	-
<b>Net financial debt (as per Consob Communication)</b>	<b>(281,781)</b>	<b>(396,999)</b>
Non-current financial assets	179,784	329,685
<b>Total net financial debt</b>	<b>(101,997)</b>	<b>(67,314)</b>

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
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
<b>Cementir Holding SpA</b>	<b>(123,243)</b>	<b>340,905</b>
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)
<b>Total attributable to the owners of the parent</b>	<b>71,471</b>	<b>956,188</b>
<b>Total attributable to the non-controlling interests</b>	<b>5,695</b>	<b>59,470</b>
<b>Cementir Holding group</b>	<b>77,166</b>	<b>1,015,658</b>

### 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 Vincenzo 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](http://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](http://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

**Francesco Caltagirone Jr.**  
Chairman of the Board of Directors



# CONSOLIDATED FINANCIAL STATEMENTS



## **3** CONSOLIDATED FINANCIAL STATEMENTS

- 56** Consolidated financial statements
- 65** Notes to the consolidated financial statements
- 118** Annexes to the consolidated financial statements
- 120** Statement on the consolidated financial statements pursuant to article 81-ter of CONSOB Regulation no. 11971/99 and subsequent amendments and integrations
- 122** Report of the Independent Auditors on the consolidated financial statements



## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION\*

[EUR '000]	Note	31 December 2017	31 December 2016 <sup>1</sup>
<b>ASSETS</b>			
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
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,396,978</b>	<b>1,756,454</b>
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
<b>TOTAL CURRENT ASSETS</b>		<b>528,522</b>	<b>704,721</b>
<b>ASSETS HELD FOR SALE</b>		<b>431,829</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>2,357,329</b>	<b>2,461,175</b>
<b>EQUITY AND LIABILITIES</b>			
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
<b>Equity attributable to the owners of the parent</b>	<b>13</b>	<b>956,188</b>	<b>992,697</b>
Profit attributable to non-controlling interests		53,775	49,527
Reserves attributable to non-controlling interests		5,695	18,079
<b>Equity attributable to non-controlling interests</b>	<b>13</b>	<b>59,470</b>	<b>67,606</b>
<b>TOTAL EQUITY</b>		<b>1,015,658</b>	<b>1,060,303</b>
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
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>892,678</b>	<b>985,717</b>
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
<b>TOTAL CURRENT LIABILITIES</b>		<b>331,119</b>	<b>415,155</b>
<b>LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE</b>		<b>117,874</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,341,671</b>	<b>1,400,872</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,357,329</b>	<b>2,461,175</b>

\*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.

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

\*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.

<sup>2</sup>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
<b>PROFIT FOR THE YEAR</b>		<b>77,166</b>	<b>85,349</b>
<b>OTHER COMPREHENSIVE INCOME (EXPENSE):</b>			
<b>Items that will never be reclassified to profit or loss:</b>			
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)
<b>Total items that will never be reclassified to profit or loss</b>		<b>(3,241)</b>	<b>886</b>
<b>Items that may be reclassified to profit or loss:</b>			
Net exchange rate losses on translation of foreign operations	30	(91,409)	(144,253)
Financial instruments		(1,598)	-
Taxes recognised in equity		472	-
<b>Total items that may be reclassified to profit or loss</b>		<b>(92,535)</b>	<b>(144,253)</b>
<b>OTHER COMPREHENSIVE EXPENSE</b>		<b>(95,776)</b>	<b>(143,367)</b>
<b>COMPREHENSIVE EXPENSE</b>		<b>(18,610)</b>	<b>(58,018)</b>
Attributable to:			
Non-controlling interests		7,862	(17,997)
<b>Owners of the parent</b>		<b>(26,472)</b>	<b>(40,021)</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

[EUR '000]	Share capital	Share premium reserve	Other Reserves	
			Legal reserve	Translation reserve
<b>Equity at 1 January 2016</b>	159,120	35,710	31,825	(298,690)
Allocation of 2015 profit				
Distribution of 2015 dividends				
Other changes				
<b>Total owner transactions</b>	-	-	-	-
Change in translation reserve				(108,016)
Net actuarial gains (losses)				
<b>Other comprehensive expense</b>	-	-	-	(108,016)
Change in other reserves				
<b>Total other transactions</b>	-	-	-	-
Profit for the year				
<b>Equity at 31 December 2016</b>	159,120	35,710	31,825	(406,706)
<b>Equity at 1 January 2017</b>	159,120	35,710	31,825	(406,706)
Allocation of 2016 profit				
Distribution of 2016 dividends				
Other changes				
<b>Total owner transactions</b>	-	-	-	-
Change in translation reserve				(93,763)
Net actuarial gains (losses)				
Change in fair value of financial instruments				
<b>Other comprehensive expense</b>	-	-	-	(93,763)
Change in other reserves				
<b>Total other transactions</b>	-	-	-	-
Profit for the year				
<b>Equity at 31 December 2017</b>	159,120	35,710	31,825	(500,469)

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
1,053,228	67,477	1,048,670	7,624	74,811	82,435	1,131,105
67,477	(67,477)	-	(7,624)	7,624	-	-
(15,912)		(15,912)		(1,387)	(1,387)	(17,299)
		-		4,869	4,869	4,869
51,565	(67,477)	(15,912)	(7,624)	11,106	3,482	(12,430)
		(108,016)		(36,237)	(36,237)	(144,253)
725		725		161	161	886
725	-	(107,291)	-	(36,076)	(36,076)	(143,367)
(40)		(40)		(314)	(314)	(354)
(40)	-	(40)	-	(314)	(314)	(354)
	67,270	67,270	18,079		18,079	85,349
1,105,478	67,270	992,697	18,079	49,527	67,606	1,060,303
1,105,478	67,270	992,697	18,079	49,527	67,606	1,060,303
67,270	(67,270)	-	(18,079)	18,079	-	-
(15,912)		(15,912)		(1,236)	(1,236)	(17,148)
7,194		7,194		(14,737)	(14,737)	(7,543)
58,552	(67,270)	(8,718)	(18,079)	2,106	(15,973)	(24,691)
		(93,763)		2,354	2,354	(91,409)
(3,054)		(3,054)		(187)	(187)	(3,241)
(1,126)		(1,126)				(1,126)
(4,180)	-	(97,943)	-	2,167	2,167	(95,776)
(1,319)		(1,319)		(25)	(25)	(1,344)
(1,319)	-	(1,319)	-	(25)	(25)	(1,344)
	71,471	71,471	5,695		5,695	77,166
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
<b>Profit for the year</b>		<b>77,166</b>	<b>85,349</b>
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
<b>Operating cash flows before changes in working capital</b>		<b>194,520</b>	<b>174,911</b>
(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)
<b>Operating cash flows</b>		<b>215,077</b>	<b>201,219</b>
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)
<b>Cash flows from operating activities (A)</b>		<b>158,519</b>	<b>158,207</b>
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)	-
<b>Cash flows used in investing activities (B)</b>		<b>(86,933)</b>	<b>(466,993)</b>
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)
<b>Cash flows from (used in) financing activities (C)</b>		<b>(61,696)</b>	<b>419,579</b>
<b>NET EXCHANGE RATE LOSSES ON CASH AND CASH EQUIVALENTS (D)</b>		<b>(13,444)</b>	<b>(3,536)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>(3,554)</b>	<b>107,257</b>
<b>Opening cash and cash equivalents</b>	12	<b>244,025</b>	<b>136,768</b>
<b>Closing cash and cash equivalents</b>	12	<b>240,471</b>	<b>244,025</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

pursuant to Consob Resolution No. 15519 of 27 July 2006

[EUR '000]	Note	31 December 2017		31 December 2016 <sup>1</sup>	
		Total	of which with related parties	Total	of which with related parties
<b>ASSETS</b>					
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
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,396,978</b>	<b>-</b>	<b>1,756,454</b>	<b>-</b>
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	-
<b>TOTAL CURRENT ASSETS</b>		<b>528,522</b>	<b>-</b>	<b>704,721</b>	<b>-</b>
<b>ASSETS HELD FOR SALE</b>		<b>431,829</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>2,357,329</b>	<b>-</b>	<b>2,461,175</b>	<b>-</b>
<b>EQUITY AND LIABILITIES</b>					
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	-
<b>Equity attributable to the owners of the parent</b>	<b>13</b>	<b>956,188</b>	<b>-</b>	<b>992,697</b>	<b>-</b>
Profit attributable to non-controlling interests		53,775	-	49,527	-
Reserves attributable to non-controlling interests		5,695	-	18,079	-
<b>Equity attributable to non-controlling interests</b>	<b>13</b>	<b>59,470</b>	<b>-</b>	<b>67,606</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>1,015,658</b>	<b>-</b>	<b>1,060,303</b>	<b>-</b>
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
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>892,678</b>	<b>-</b>	<b>985,717</b>	<b>-</b>
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	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>331,119</b>	<b>-</b>	<b>415,155</b>	<b>-</b>
<b>LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE</b>		<b>117,874</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>1,341,671</b>	<b>-</b>	<b>1,400,872</b>	<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,357,329</b>	<b>-</b>	<b>2,461,175</b>	<b>-</b>

<sup>1</sup> 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		2016 <sup>2</sup>	
		Total	of which with related parties	Total	of which with related parties
<b>REVENUE</b>	<b>21</b>	<b>1,140,006</b>	<b>21,002</b>	<b>925,806</b>	<b>18,899</b>
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
<b>TOTAL OPERATING REVENUE</b>		<b>1,170,044</b>	<b>-</b>	<b>958,847</b>	<b>-</b>
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)
<b>TOTAL OPERATING COSTS</b>		<b>(947,347)</b>	<b>-</b>	<b>(750,345)</b>	<b>-</b>
<b>EBITDA</b>		<b>222,697</b>	<b>-</b>	<b>208,502</b>	<b>-</b>
Amortisation and depreciation	26	(72,590)	-	(62,094)	-
Provisions	26	(3,865)	-	(3,158)	-
Impairment losses	26	(5,677)	-	(7,684)	-
<b>Total amortisation, depreciation, impairment losses and provisions</b>		<b>(82,132)</b>	<b>-</b>	<b>(72,936)</b>	<b>-</b>
<b>EBIT</b>		<b>140,565</b>	<b>-</b>	<b>135,566</b>	<b>-</b>
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	-
<b>Net financial income (expense)</b>		<b>(18,697)</b>	<b>-</b>	<b>19,139</b>	<b>-</b>
<b>NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEEES</b>		<b>(13,912)</b>	<b>-</b>	<b>24,266</b>	<b>-</b>
<b>PROFIT BEFORE TAXES</b>		<b>126,653</b>	<b>-</b>	<b>159,832</b>	<b>-</b>
Income taxes	28	(16,393)	-	(40,891)	-
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>110,260</b>	<b>-</b>	<b>118,941</b>	<b>-</b>
<b>LOSS FROM DISCONTINUED OPERATIONS</b>		<b>(33,094)</b>	<b>-</b>	<b>(33,592)</b>	<b>-</b>
<b>PROFIT FOR THE YEAR</b>		<b>77,166</b>	<b>-</b>	<b>85,349</b>	<b>-</b>
Attributable to:					
Non-controlling interests		5,695	-	18,079	-
<b>Owners of the parent</b>		<b>71,471</b>	<b>-</b>	<b>67,270</b>	<b>-</b>
<b>[EUR]</b>					
<b>Basic earnings per share</b>	<b>29</b>	<b>0,449</b>		<b>0,423</b>	
<b>Diluted earnings per share</b>	<b>29</b>	<b>0,449</b>		<b>0,423</b>	

<sup>2</sup> 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)		
SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEEES	(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
<b>TOTAL ASSETS HELD FOR SALE</b>	<b>431,829</b>
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
<b>TOTAL LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE</b>	<b>117,874</b>

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; (ii) 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 IASB 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:

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

*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/extractable 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:

	<b>Useful life of property, plant and equipment</b>
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<sub>2</sub>). 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<sub>2</sub> 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 using 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<sup>3</sup> 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.

<sup>3</sup>For Italian companies.



Accounting policies adopted by the Group 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<sup>4</sup> and employee turnover rate.

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.

<sup>4</sup>Discounted using the IRS rate curve equal to the term of the relevant observation period (50 years).

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 recognised 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.

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				
<b>Operating revenue</b>	<b>381,921</b>	<b>237,987</b>	<b>283,519</b>	<b>204,879</b>	<b>36,891</b>	<b>84,240</b>	<b>46,105</b>	<b>(105,498)</b>	<b>1,170,044</b>
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
<b>Segment result (EBITDA)</b>	<b>95,832</b>	<b>44,787</b>	<b>21,130</b>	<b>31,555</b>	<b>11,647</b>	<b>19,100</b>	<b>(1,354)</b>	<b>-</b>	<b>222,697</b>
Amortisation, depreciation, impairment losses and provisions	(22,840)	(21,489)	(8,359)	(19,643)	(2,130)	(6,128)	(1,543)	-	(82,132)
<b>EBIT</b>	<b>72,992</b>	<b>23,298</b>	<b>12,771</b>	<b>11,912</b>	<b>9,517</b>	<b>12,972</b>	<b>(2,897)</b>	<b>-</b>	<b>140,565</b>
Share of net profits (losses) of equity-accounted investees	(336)	(16)	5,137	-	-	-	-	-	4,785
Net financial income (expense)	-	-	-	-	-	-	-	(18,697)	(18,697)
<b>Profit (loss) before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>126,653</b>
Income taxes	-	-	-	-	-	-	-	-	(16,393)
<b>Profit (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,260</b>

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				
<b>Operating revenue</b>	<b>373,612</b>	<b>40,494</b>	<b>246,788</b>	<b>214,762</b>	<b>50,408</b>	<b>80,092</b>	<b>18,985</b>	<b>(66,294)</b>	<b>958,847</b>
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
<b>Segment result (EBITDA)</b>	<b>115,098</b>	<b>8,790</b>	<b>19,659</b>	<b>32,060</b>	<b>13,374</b>	<b>20,983</b>	<b>(1,461)</b>	<b>-</b>	<b>208,503</b>
Amortisation, depreciation, impairment losses and provisions	(21,625)	(3,148)	(8,233)	(29,140)	(3,412)	(6,236)	(1,143)	-	(72,937)
<b>EBIT</b>	<b>93,473</b>	<b>5,642</b>	<b>11,426</b>	<b>2,920</b>	<b>9,962</b>	<b>14,747</b>	<b>(2,604)</b>	<b>-</b>	<b>135,566</b>
Share of net profits (losses) of equity-accounted investees	(1,169)	(31)	6,327	-	-	-	-	-	5,127
Net financial income (expense)	-	-	-	-	-	-	-	19,139	19,139
<b>Profit (loss) before taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,832</b>
Income taxes	-	-	-	-	-	-	-	-	(40,891)
<b>Profit (loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,941</b>

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

[EUR '000]	Segment assets	Segment liabilities	Equity -accounted investments	<sup>5</sup> Investments in property, plant and equipment and intangible assets
<b>Nordic &amp; Baltic and USA:</b>				
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
<b>Eastern Mediterranean:</b>				
Turkey	395,144	65,588	-	10,208
Egypt	92,562	17,653	-	3,197
<b>Asia Pacific</b>	<b>137,637</b>	<b>15,661</b>	<b>-</b>	<b>3,252</b>
<b>Central Mediterranean</b>	<b>499,102</b>	<b>677,888</b>	<b>-</b>	<b>4,351</b>
<i>of which assets held for sale</i>	<i>431,829</i>	<i>117,873</i>		
<b>Total</b>	<b>2,357,329</b>	<b>1,341,670</b>	<b>22,470</b>	<b>85,850</b>

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

<sup>5</sup> 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	<sup>6</sup> Investments in property, plant and equipment and intangible assets
<b>Nordic &amp; Baltic and USA:</b>				
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
<b>Eastern Mediterranean:</b>				
Turkey	453,220	68,430	-	15,058
Egypt	97,911	20,797	-	1,434
<b>Asia Pacific</b>	<b>133,424</b>	<b>15,013</b>	<b>-</b>	<b>2,322</b>
<b>Central Mediterranean</b>	<b>527,760</b>	<b>783,165</b>	<b>-</b>	<b>11,459</b>
<b>Total</b>	<b>2,461,175</b>	<b>1,400,872</b>	<b>22,893</b>	<b>71,828</b>

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

<sup>6</sup> 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
<b>Gross amount at 1 January 2017</b>	<b>2,006</b>	<b>27,477</b>	<b>132,940</b>	<b>722</b>	<b>163,145</b>
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
<b>Gross amount at 31 December 2017</b>	<b>1,988</b>	<b>31,629</b>	<b>141,232</b>	<b>1,363</b>	<b>176,212</b>
<b>Amortisation at 1 January 2017</b>	<b>1,766</b>	<b>13,854</b>	<b>22,884</b>	<b>-</b>	<b>38,504</b>
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
<b>Amortisation at 31 December 2017</b>	<b>1,906</b>	<b>14,940</b>	<b>30,904</b>	<b>-</b>	<b>47,750</b>
<b>Net amount at 31 December 2017</b>	<b>82</b>	<b>16,689</b>	<b>110,328</b>	<b>1,363</b>	<b>128,462</b>

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
<b>Gross amount at 1 January 2016</b>	<b>1,992</b>	<b>29,751</b>	<b>34,465</b>	<b>1,170</b>	<b>67,378</b>
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
<b>Gross amount at 31 December 2016</b>	<b>2,006</b>	<b>27,477</b>	<b>132,940</b>	<b>722</b>	<b>163,145</b>
<b>Amortisation at 1 January 2016</b>	<b>1,577</b>	<b>13,329</b>	<b>19,463</b>	<b>-</b>	<b>34,369</b>
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)
<b>Amortisation at 31 December 2016</b>	<b>1,766</b>	<b>13,854</b>	<b>22,884</b>	<b>-</b>	<b>38,504</b>
<b>Net amount at 31 December 2016</b>	<b>240</b>	<b>13,623</b>	<b>110,056</b>	<b>722</b>	<b>124,641</b>

## 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:

[EUR '000]	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	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>230,679</b>	<b>28,598</b>	<b>82,512</b>	<b>1,784</b>	<b>3,068</b>	<b>-</b>	<b>346,641</b>

[EUR '000]	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	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>230,111</b>	<b>31,794</b>	<b>101,095</b>	<b>1,993</b>	<b>3,214</b>	<b>6,935</b>	<b>375,142</b>

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		31.12.2016	
	Growth rate of terminal values	Discount rate	Growth rate of terminal values	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
<b>Gross amount at 1 January 2017</b>	<b>590,591</b>	<b>215,794</b>	<b>1,806,635</b>	<b>91,340</b>	<b>53,375</b>	<b>2,757,735</b>
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
<b>Gross amount at 31 December 2017</b>	<b>472,658</b>	<b>187,229</b>	<b>1,412,230</b>	<b>75,609</b>	<b>47,412</b>	<b>2,195,138</b>
<b>Depreciation at 1 January 2017</b>	<b>319,430</b>	<b>24,044</b>	<b>1,307,908</b>	<b>66,884</b>	-	<b>1,718,266</b>
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
<b>Depreciation at 31 December 2017</b>	<b>284,169</b>	<b>20,368</b>	<b>1,076,112</b>	<b>54,649</b>	-	<b>1,435,298</b>
<b>Net amount at 31 December 2017</b>	<b>188,489</b>	<b>166,861</b>	<b>336,118</b>	<b>20,960</b>	<b>47,412</b>	<b>759,840</b>

(EUR'000)	Land and buildings	Quarries	Plant and equipment	Other	Assets under development and advances	Total
<b>Gross amount at 1 January 2016</b>	<b>422,942</b>	<b>44,622</b>	<b>1,337,187</b>	<b>84,087</b>	<b>39,000</b>	<b>1,927,838</b>
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)
<b>Gross amount at 31 December 2016</b>	<b>590,591</b>	<b>215,794</b>	<b>1,806,635</b>	<b>91,340</b>	<b>53,375</b>	<b>2,757,735</b>
<b>Depreciation at 1 January 2016</b>	<b>226,893</b>	<b>17,168</b>	<b>899,699</b>	<b>58,742</b>	-	<b>1,202,502</b>
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)
<b>Depreciation at 31 December 2016</b>	<b>319,430</b>	<b>24,044</b>	<b>1,307,908</b>	<b>66,884</b>	-	<b>1,718,266</b>
<b>Net amount at 31 December 2016</b>	<b>271,161</b>	<b>191,750</b>	<b>498,727</b>	<b>24,456</b>	<b>53,375</b>	<b>1,039,469</b>

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
<b>Opening balance</b>	<b>69,312</b>	<b>29,511</b>	<b>98,823</b>	<b>85,971</b>	<b>30,174</b>	<b>116,145</b>
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	-	-	-	-	-	-
<b>Closing balance</b>	<b>65,776</b>	<b>29,318</b>	<b>95,094</b>	<b>69,312</b>	<b>29,511</b>	<b>98,823</b>

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
<b>31.12.2017</b>					
Lehigh White Cement Company <i>Joint Venture</i>	Cement	Allentown (USA)	24.5%	17,914	5,3166
Sola Betong AS	Ready-mixed concrete	Tananger (Norway)	33.3%	969	115
ECOL Unicon Spzoo	Ready-mixed concrete	Gdansk (Poland)	49%	2,762	(336)
ÅGAB Syd Aktiebolag	Aggregates	Svedala (Sweden)	40%	766	(238)
EPI UK R&D	Research & development	Morden (UK)	50%	-	(56)
Recybel	Other	Liegi-Flemalle (Belgium)	25.5%	59	(16)
<b>Total</b>				<b>22,470</b>	<b>4,785</b>

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

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
<b>Revenue</b>	<b>131,943</b>	<b>132,151</b>
Profit for the year	20,490	24,962
Dividends received from the joint venture	3,060	6,516
<b>Assets:</b>	<b>78,623</b>	<b>79,792</b>
- Non-current assets	28,393	31,352
- Current assets	50,230	48,440
<b>Liabilities:</b>	<b>14,067</b>	<b>16,109</b>
- Non-current liabilities	2,055	3,230
- Current liabilities	12,012	12,879
<b>Net assets</b>	<b>64,556</b>	<b>63,683</b>
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
<b>Value of the equity-accounted investment</b>	<b>17,914</b>	<b>17,671</b>

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

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

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
<b>Inventories</b>	<b>127,727</b>	<b>163,822</b>

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)
<b>Net trade receivables</b>	<b>153,671</b>	<b>227,781</b>
Advances to suppliers	1,066	1,771
Trade receivables - related parties (note 34)	5,892	6,946
<b>Trade receivables</b>	<b>160,629</b>	<b>236,498</b>

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
<i>0-30 days</i>	21,263	19,314
<i>30-60 days</i>	8,864	4,454
<i>60-90 days</i>	5,778	5,185
<i>More than 90 days</i>	10,396	49,458
<b>Total trade receivables</b>	<b>159,623</b>	<b>260,518</b>
Allowances for impairment	(5,952)	(32,737)
<b>Net trade receivables</b>	<b>153,671</b>	<b>227,781</b>

### 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
<b>Current financial assets</b>	<b>1,067</b>	<b>3,491</b>

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
<b>Other current assets</b>	<b>18,511</b>	<b>48,517</b>

## 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
<b>Cash and cash equivalents</b>	<b>214,528</b>	<b>244,025</b>

## 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)	(63,261)	(49,980)	(13,281)
Iceland (Icelandic krona – ISK)	(2,337)	(1,910)	(427)
China (Chinese renminbi – CNY)	7,543	12,008	(4,465)
Norway (Norwegian krone – NOK)	(5,542)	(3,166)	(2,376)
Sweden (Swedish krona – SEK)	(766)	(452)	(314)
Other countries	822	(662)	1,484
<b>Total translation reserve</b>	<b>(500,469)</b>	<b>(406,703)</b>	<b>(93,766)</b>

### *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*

(EUR '000)	Aalborg Portland Malaysia		AB Sydsten		Sinai White Portland Cement	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
<b>Revenue</b>	<b>38,966</b>	<b>39,269</b>	<b>69,451</b>	<b>58,344</b>	<b>36,443</b>	<b>45,249</b>
<b>Profit for the year:</b>	<b>3,393</b>	<b>6,587</b>	<b>3,505</b>	<b>3,475</b>	<b>6,292</b>	<b>34,445</b>
- attributable to the owners of the parent	2,375	4,611	1,673	1,738	3,714	19,682
- attributable to non-controlling interests	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)
<b>Comprehensive income (expense) for the year</b>	<b>2,121</b>	<b>6,029</b>	<b>2,697</b>	<b>2,534</b>	<b>(2,052)</b>	<b>(45,989)</b>
<b>Assets:</b>	<b>58,497</b>	<b>54,949</b>	<b>48,916</b>	<b>48,859</b>	<b>92,759</b>	<b>97,910</b>
- 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
<b>Liabilities:</b>	<b>8,538</b>	<b>7,084</b>	<b>25,186</b>	<b>25,456</b>	<b>18,196</b>	<b>21,237</b>
- 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
<b>Net assets</b>	<b>49,959</b>	<b>47,865</b>	<b>23,730</b>	<b>23,403</b>	<b>74,563</b>	<b>76,673</b>
- attributable to the owners of the parent	34,971	33,506	11,286	11,018	49,525	43,811
- attributable to non-controlling interests	14,988	14,360	12,444	12,385	25,038	32,862
<b>Net change in cash flow</b>	<b>4,806</b>	<b>10,467</b>	<b>6,583</b>	<b>5,122</b>	<b>10,352</b>	<b>(1,734)</b>
<b>Dividends paid to non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>1,162</b>	<b>1,287</b>	<b>-</b>	<b>-</b>

**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)
<b>Employee benefits</b>	<b>33,129</b>	<b>41,520</b>

Changes in the liability are shown below:

(EUR '000)	31.12.2017	31.12.2016
<b>Provisions for employee benefits opening balance</b>	<b>66,664</b>	<b>21,206</b>
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)
<b>Provisions for employee benefits closing balance</b>	<b>59,655</b>	<b>66,664</b>

(EUR '000)	31.12.2017	31.12.2016
<b>Fair value of plan assets opening balance</b>	<b>25,144</b>	<b>3,391</b>
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
<b>Fair value of plan assets closing balance</b>	<b>26,526</b>	<b>25,144</b>

## 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	Litigation provision	Other provisions	Total provisions
<b>Balance at 1 January 2017</b>	<b>25,965</b>	<b>5,661</b>	<b>7,125</b>	<b>38,751</b>
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	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>25,226</b>	<b>2,051</b>	<b>5,018</b>	<b>32,295</b>
Including:				
Non-current provisions	24,925	802	3,699	29,426
Current provisions	301	1,249	1,319	2,869

(EUR '000)	Quarry provision	Litigation provision	Other provisions	Total provisions
<b>Balance at 1 January 2016</b>	<b>14,555</b>	<b>3,032</b>	<b>2,721</b>	<b>20,308</b>
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
<b>Balance at 31 December 2016</b>	<b>25,965</b>	<b>5,661</b>	<b>7,125</b>	<b>38,751</b>
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
<b>Trade payables</b>	<b>204,204</b>	<b>263,443</b>

## 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)	-	-
<b>Non-current financial liabilities</b>	<b>696,090</b>	<b>744,606</b>
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
<b>Current financial liabilities</b>	<b>62,776</b>	<b>65,349</b>
<b>Total financial liabilities</b>	<b>758,866</b>	<b>809,955</b>

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	75,327	358,918
Between two and five years	561,217	315,063
After five years	59,546	70,625
<b>Total financial liabilities</b>	<b>758,866</b>	<b>809,955</b>

(EUR '000)	31.12.2017	31.12.2016
Floating rate	758,812	807,372
Fixed rate	54	2,583
<b>Financial liabilities</b>	<b>758,866</b>	<b>809,955</b>

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	-	-	-
<b>D. Cash and cash equivalents</b>	<b>240,471</b>	<b>214,528</b>	<b>244,025</b>
<b>E. Current loan assets</b>	<b>2,092</b>	<b>1,067</b>	<b>3,491</b>
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)
<b>I. Current financial debt (F+G+H)</b>	<b>(83,097)</b>	<b>(62,776)</b>	<b>(65,348)</b>
<b>J. Net current financial position (debt) (I-E-D)</b>	<b>159,466</b>	<b>152,819</b>	<b>182,168</b>
K. Non-current bank loans and borrowings	(696,090)	(696,090)	(744,606)
L. Bonds issued	-	-	-
M. Other non-current liabilities	-	-	-
<b>N. Non-current financial debt (K+L+M)</b>	<b>(696,090)</b>	<b>(696,090)</b>	<b>(744,606)</b>
<b>O. Net financial debt (J+N)</b>	<b>(536,624)</b>	<b>(543,271)</b>	<b>(562,438)</b>

\* 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.



## 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.

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
<b>Other current liabilities</b>	<b>44,850</b>	<b>66,110</b>

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
<b>Balance at 1 January 2017</b>	<b>154,240</b>	<b>80,870</b>
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)
<b>Balance at 31 December 2017</b>	<b>127,544</b>	<b>33,778</b>

(EUR '000)	Deferred tax liabilities	Deferred tax assets
<b>Balance at 1 January 2016</b>	<b>71,750</b>	<b>63,006</b>
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
<b>Balance at 31 December 2016</b>	<b>154,240</b>	<b>80,870</b>

(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
<b>Deferred tax liabilities</b>	<b>154,240</b>	<b>(20,931)</b>	<b>(5,765)</b>	<b>127,544</b>
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
<b>Deferred tax assets</b>	<b>80,870</b>	<b>1,283</b>	<b>(48,375)</b>	<b>33,778</b>

(EUR'000)	01.01.2017	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
<b>Deferred tax liabilities</b>	<b>71,750</b>	<b>6,083</b>	<b>76,407</b>	<b>154,240</b>
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
<b>Deferred tax assets</b>	<b>63,006</b>	<b>11,799</b>	<b>6,065</b>	<b>80,870</b>

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
<b>Revenue</b>	<b>1,140,006</b>	<b>925,806</b>

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
<b>Other operating revenue</b>	<b>22,071</b>	<b>24,394</b>

## 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)
<b>Raw materials costs</b>	<b>444,161</b>	<b>369,611</b>

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

(Euro '000)	2017	2016
Wages and salaries	139,086	115,049
Social security charges	26,080	17,816
Other costs	9,582	6,754
<b>Personnel costs</b>	<b>174,748</b>	<b>139,619</b>

The Group's workforce breaks down as follows:

	31.12.2017	31.12.2016	average 2017	average 2016
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
<b>Total</b>	<b>3,021</b>	<b>3,002</b>	<b>3,540</b>	<b>3,094</b>

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
<b>Other operating costs</b>	<b>328,438</b>	<b>241,115</b>

## 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
<b>Amortisation, depreciation, impairment losses and provisions</b>	<b>82,132</b>	<b>72,936</b>

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)
<b>Share of net profits of equity-accounted investees</b>	<b>4,785</b>	<b>5,127</b>
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
<i>Total financial income</i>	<i>13,468</i>	<i>3,413</i>
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)
<i>Total financial expense</i>	<i>(26,916)</i>	<i>(16,289)</i>
Exchange rate gains	5,423	46,775
Exchange rate losses	(10,672)	(14,760)
<i>Net exchange rate gains (losses)</i>	<i>(5,249)</i>	<i>32,015</i>
<b>Net financial income (expense)</b>	<b>(18,697)</b>	<b>19,139</b>
<b>Net financial income (expense) and share of net profits of equity-accounted investees</b>	<b>(13,912)</b>	<b>24,266</b>

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)
<b>Income taxes</b>	<b>16,393</b>	<b>40,891</b>

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

(EUR '000)	2017	2016
<b>Theoretical tax expense</b>	<b>19,303</b>	<b>20,546</b>
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)
<b>Income taxes</b>	<b>16,393</b>	<b>33,246</b>

## 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.

	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
<b>Basic earnings per share</b>	<b>0.449</b>	<b>0.423</b>

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			2016		
	Pre-tax amount	Tax effect	Post-tax amount	Pre-tax amount	Tax effect	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
<b>Total other comprehensive income (expense)</b>	<b>(95,981)</b>	<b>205</b>	<b>(95,776)</b>	<b>(143,069)</b>	<b>(298)</b>	<b>(143,367)</b>

### 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)
<b>Net assets acquired</b>	<b>301,852</b>	<b>2,508</b>	<b>304,360</b>
<b>Consideration net of available cash</b>	<b>286,774</b>		<b>289,282</b>
<b>Effect of bargain purchase gain (Bargain purchase gain)</b>	<b>(note 22) 15,078</b>		<b>15,078</b>

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:

(EUR '000)	Note	Level 1	Level 2	Level 3	Total
<b>31 December 2017</b>					
Investment property	4	-	65,969	29,125	95,094
Current financial assets (derivative instruments)	9	-	335	-	335
<b>Total assets</b>		-	<b>66,304</b>	<b>29,125</b>	<b>95,429</b>
Current financial liabilities (derivative instruments)	17	-	(8,683)	-	(8,683)
<b>Total liabilities</b>		-	<b>(8,683)</b>		<b>(8,683)</b>
<b>31 December 2016</b>					
Investment property	4	-	69,698	29,125	98,823
Current financial assets (derivative instruments)	9	-	205	-	205
<b>Total assets</b>		-	<b>69,903</b>	<b>29,125</b>	<b>99,028</b>
Current financial liabilities (derivative instruments)	17	-	(12,534)	-	(12,534)
<b>Total liabilities</b>		-	<b>(12,534)</b>		<b>(12,534)</b>

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](http://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:

(EUR '000)	Ultimate parent	Associates	Companies under common control	Other related parties	Total related parties	Total financial statements caption	% of caption
<b>31 December 2017</b>							
<b>Statement of financial position</b>							
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	-	-	-	-	-	-	-
<b>Income statement</b>							
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	-	-	-	-	-	-	-

(EUR '000)	Ultimate parent	Associates	Companies under common control	Other related parties	Total related parties	Total financial statements caption	% of caption
<b>31 December 2016</b>							
<b>Statement of financial position</b>							
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	-	-	-	-	-	-	-
<b>Income statement</b>							
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 1

### List of equity investments at 31 December 2017

Company name	Registered office	Share capital	Currency	Type of		Investment held by Group companies	Method
				% Direct	% Indirect		
Cementir Holding SpA	Rome (Italy)	159,120,000	EUR			Parent	Line-by-line
Aalborg Cement Company Inc	Somerville N.J. (USA)	1,000	USD		100	Aalborg Portland US Inc	Line-by-line
Aalborg Portland Holding A/S	Aalborg (Denmark)	300,000,000	DKK		75 25	Cementir Espana SL 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	Berchem-Sainte-Agathe (Belgium)	500,000	EUR		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland España SL	Madrid (España)	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 Islandi 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	Warszaw (Poland)	100,000	PLN		100	Aalborg Portland A/S	Line-by-line
Aalborg Portland US Inc	Somerville N.J. (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	Brisbane (AUS)	1,000	AUD		100	Aalborg Portland Malaysia Sdn Bhd	Line-by-line
Aalborg Portland OOO	Kingisepp (RUS)	14,700,000	RUB		99.9 0.1	Aalborg Portland A/S 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	Svedala (S)	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 Espana SL	Madrid (España)	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 0.06	Cimentas AS Kars Cimento AS	Line-by-line
Cimentas AS	Izmir (Turkey)	87,112,463	TRY		97.8 0.12 0.48	Aalborg Portland España SL Cimbeton AS 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
Compagnie des Ciments Belges France SAS (CCBF)	Villeneuve d'Ascq (France)	34,363,400	EUR		100	Compagnie des Ciments Belges SA	Line-by-line
Destek AS	Izmir (Turkey)	50,000	TRY		99.99 0.01	Cimentas AS Cimentas Foundation	Line-by-line
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	Morden (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

continued

Company name	Registered office	Share capital	Currency	Type of		Investment held by Group companies	Method
				% Direct	% Indirect		
Globocem SL	Madrid (España)	3,007	EUR		100	Alfacem Srl	Line-by-line
Ilion Cimento Ltd	Izmir (Turkey)	300,000	TRY		100	Cimbeton AS	Line-by-line
Kars Cimento AS	Izmir (Turkey)	3,000,000	TRY		58.38 41.62	Cimentas AS Alfacem Srl	Line-by-line
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	Blackburn (Great Britain)	100,000	GBP		100	NWM Holdings Ltd	Line-by-line
NWM Holdings Ltd	Blackburn (Great Britain)	5,000,001	GBP		100	Recydia AS	Line-by-line
Quercia Ltd	Blackburn (Great Britain)	5,000,100	GBP		100	NWM Holdings Ltd	Line-by-line
Recybel SA	Liegi-Flemalle (Belgium)	99,200	EUR		25.2	Compagnie des Ciments Belges SA	Equity
Recydia AS	Izmir (Turkey)	551,544,061	TRY		62.82 24.94 12.24	Kars Cimento AS Cimentas AS Aalborg Portland Holding A/S	Line-by-line
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	Ljungbyhed (Sweden)	1,000,000	SEK		60	AB Sydsten	Line-by-line
Société des Carrières du Tournais SA	Gaurain (Belgium)	12,297,035	EUR		65	Compagnie des Ciments Belges SA	Proportionate
Sola Betong AS	Tananger (Norway)	9,000,000	NOK		33.33	Unicon AS	Equity
Spartan Hive SpA	Roma (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	Oslo (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

**Francesco Caltagirone Jr.**  
Chairman of the Board of Directors



## 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:

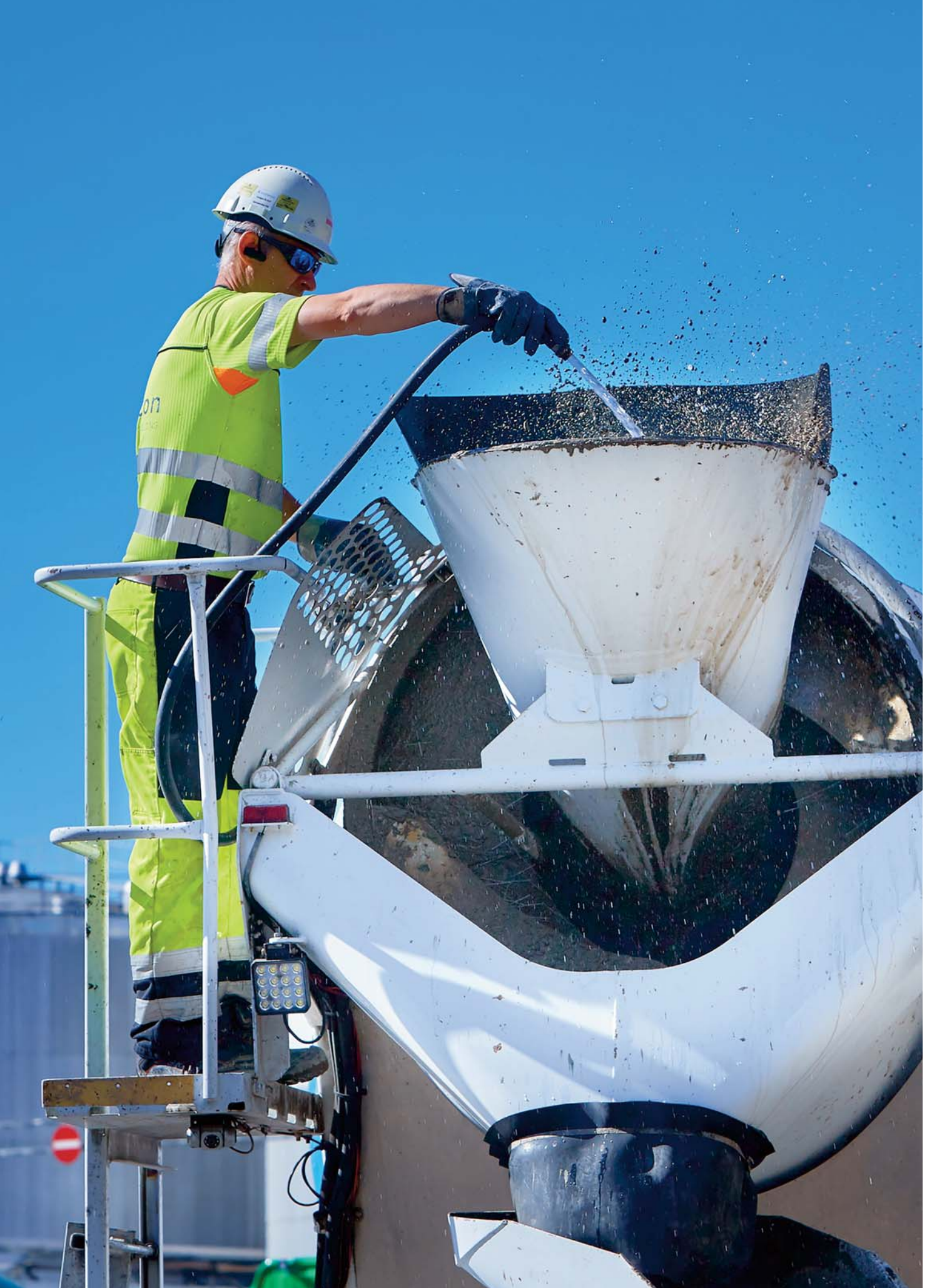
- a) have been prepared in accordance with the applicable IFRS, as endorsed by the European Union as per Regulation (EC) No 1606/2002/EC of the European Parliament and of the Council of 19 July 2002;
- b) are consistent with the entries in the accounting books and records;
- c) provide a true and fair 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

**Francesco Caltagirone Jr.**  
Chairman of the Board of Directors

**Massimo Sala**  
Manager responsible for  
financial reporting





KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Ettore Petrolini, 2  
00197 ROMA RM  
Telefono +39 06 80961.1  
Email it-itr.auditaly@kpmg.it  
PEC kpmgspa@pec.kpmg.it

(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.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo  
Bologna Bolzano Brescia  
Catania Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Parma Perugia  
Pescara Roma Torino Treviso  
Trieste Varese Verona

Società per azioni  
Capitale sociale  
Euro 10.150.950,00 i.v.  
Registro Imprese Milano e  
Codice Fiscale N. 00709600159  
R.E.A. Milano N. 512867  
Partita IVA 00709600159  
VAT number: IT00709600159  
Sede legale: via Vittor Pisani  
25 20124 Milano MI ITALIA



**Centrif Holding Group**  
Independent auditors' report  
31 December 2017

**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
<p>The consolidated financial statements at 31 December 2017 include goodwill of €346,641 thousand.</p> <p>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.</p> <p>The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about</p> <ul style="list-style-type: none"> <li>— 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;</li> <li>— the parameters used to calculate the discount rate.</li> </ul> <p>For the above reasons, we believe that the recoverability of goodwill is a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— understanding the process adopted for impairment testing approved by the Company's board of directors;</li> <li>— analysing the criteria used to identify the CGU and trace their carrying amounts to the consolidated financial statements;</li> <li>— 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;</li> <li>— analysing any discrepancies between the business plans' figures and actual figures, in order to check the accuracy of the estimation process;</li> <li>— comparing the cash flows used for impairment testing to the cash flows forecast in the plans and analysing any discrepancies;</li> <li>— 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;</li> <li>— assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests.</li> </ul>



**Allocation of the consideration paid for the acquisition of the Compagnie Des Cir ents 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
<p>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 Cir ents Belges Group (the "CCB Group") on 25 October 2016 and existing at that date.</p> <p>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</p> <ul style="list-style-type: none"><li>— 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;</li><li>— the parameters used to calculate the discount rate.</li></ul> <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— understanding the process adopted by the Company to allocate the consideration paid for the acquisition of the CCB Group;</li><li>— 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;</li><li>— 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;</li><li>— assessing the appropriateness of the disclosures provided in the notes about the allocation of the consideration paid for the acquisition of the CCB Group.</li></ul>

**Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Cen er tir r olding 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.



**Cen er holding Group**  
Independent auditors' report  
31 December 2017

### **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.



**Cementir Holding Group**  
*Independent auditors' report*  
31 December 2017

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.



**Cementir Holding Group**  
*Independent auditors' report*  
31 December 2017

**Statement pursuant to article 4 of the Consob regulation in plenary  
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



A thick, dark red vertical bar runs down the left side of the page. At the bottom of this bar, there is a graphic consisting of a large, stylized number '4' followed by three vertical bars of varying heights, all in a light grey color.

## **4** SEPARATE FINANCIAL STATEMENTS

- 130** Separate financial statements
- 137** Notes to the separate financial statements
- 168** Statement on the separate financial statements as per article 81-ter of CONSOB Regulation No. 11971/99 and subsequent amendments and integrations
- 170** Report of the Independent Auditors on the separate financial statements
- 174** Report of the Board of Statutory Auditors
  
- 180** Simplified structure of the Group

## SEPARATE FINANCIAL STATEMENTS

### Statement of financial position

[EUR]	Note	31 December 2017	31 December 2016
<b>ASSETS</b>			
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
<b>TOTAL NON-CURRENT ASSETS</b>		<b>519,843,774</b>	<b>901,801,582</b>
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
<b>TOTAL CURRENT ASSETS</b>		<b>66,042,514</b>	<b>291,025,937</b>
<b>ASSETS HELD FOR SALE</b>		<b>349,367,929</b>	-
<b>TOTAL ASSETS</b>		<b>935,254,217</b>	<b>1,192,827,518</b>
<b>EQUITY AND LIABILITIES</b>			
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)
<b>TOTAL EQUITY</b>		<b>340,904,853</b>	<b>481,170,267</b>
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
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>510,653,002</b>	<b>640,614,242</b>
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
<b>TOTAL CURRENT LIABILITIES</b>		<b>45,131,435</b>	<b>71,043,009</b>
<b>LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE</b>		<b>38,564,927</b>	-
<b>TOTAL LIABILITIES</b>		<b>555,784,437</b>	<b>711,657,252</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>935,254,217</b>	<b>1,192,827,518</b>

## Income statement

[EUR]	Note	2017	2016
<b>REVENUE</b>	<b>19</b>	<b>27,792,003</b>	<b>20,942,421</b>
- 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
<b>TOTAL OPERATING REVENUE</b>		<b>29,640,286</b>	<b>22,093,523</b>
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)
<b>TOTAL OPERATING COSTS</b>		<b>(28,279,211)</b>	<b>(21,512,241)</b>
<b>EBITDA</b>		<b>1,361,075</b>	<b>581,282</b>
Amortisation, depreciation, impairment losses and provisions	24	(1,542,656)	(1,142,704)
<b>EBIT</b>		<b>(181,581)</b>	<b>(561,422)</b>
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)
<b>NET FINANCIAL EXPENSE</b>		<b>(122,526,003)</b>	<b>(7,355,739)</b>
<b>LOSS BEFORE TAXES</b>		<b>(122,707,584)</b>	<b>(7,917,161)</b>
Income taxes	26	(534,941)	2,036,524
<b>LOSS FROM CONTINUING OPERATIONS</b>		<b>(123,242,525)</b>	<b>(5,880,637)</b>
<b>LOSS FOR THE YEAR</b>		<b>(123,242,525)</b>	<b>(5,880,637)</b>

## Statement of comprehensive income

[EUR]	Note	2017	2016
<b>LOSS FOR THE YEAR</b>		<b>(123,242,525)</b>	<b>(5,880,637)</b>
<b>OTHER COMPREHENSIVE INCOME (EXPENSE):</b>			
<b>Items that will never be reclassified to profit or loss:</b>			
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
<b>Total items that will never be reclassified to profit or loss</b>		<b>(1,110,890)</b>	<b>(12,382)</b>
<b>TOTAL COMPREHENSIVE EXPENSE</b>		<b>(124,353,415)</b>	<b>(5,893,019)</b>



## Statement of changes in equity

[EUR '000]	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for grants related to assets
<b>Equity at 1 January 2016</b>	<b>159,120</b>	<b>35,710</b>	<b>97,733</b>	<b>31,824</b>	<b>13,207</b>
Allocation of 2015 loss					
Distribution of 2015 dividends					
<b>Total owner transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net actuarial gains (losses)					
Gains (losses) from derivatives					
<b>Other comprehensive expense</b>					
Loss for the year	-	-	-	-	-
<b>Equity at 31 December 2016</b>	<b>159,120</b>	<b>35,710</b>	<b>97,733</b>	<b>31,824</b>	<b>13,207</b>
<b>Equity at 1 January 2017</b>	<b>159,120</b>	<b>35,710</b>	<b>97,733</b>	<b>31,824</b>	<b>13,207</b>
Allocation of 2016 loss					
Distribution of 2016 dividends					
<b>Total owner transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net actuarial gains (losses)					
Gains (losses) from derivatives					
<b>Other comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the year	-	-	-	-	-
<b>Equity at 31 December 2017</b>	<b>159,120</b>	<b>35,710</b>	<b>97,733</b>	<b>31,824</b>	<b>13,207</b>

Other reserves						Retained earnings	Loss for the year	Total equity
Reserve as per art. 15 of Law No. 67/88	Reserve as per Law No. 349/95	Goodwill arising on merger	Other IFRS reserves	Actuarial Reserves	Cash Flow Hedge reserve			
138	41	98,076	18,743	(135)	-	52,032	(3,514)	502,975
			(3,514)				3,514	-
						(15,912)		(15,912)
-	-	-	(3,514)	-		(15,912)	3,514	(15,912)
				(12)				(12)
				(12)				(12)
-	-	-	-	-	-	-	(5,881)	(5,881)
138	41	98,076	15,229	(147)	-	36,121	(5,881)	481,170
138	41	98,076	15,229	(147)	-	36,121	(5,881)	481,170
			(5,881)				5,881	-
						(15,912)		(15,912)
-	-	-	(5,881)	-		(15,912)	5,881	(15,912)
				13				13
					(1,124)			(1,124)
-	-	-	-	13	(1,124)			(1,111)
-	-	-	-	-	-		(123,242)	(123,242)
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
<b>Loss for the year</b>		<b>(123,243)</b>	<b>(5,881)</b>
Amortisation and depreciation	24	1,543	1,143
Net financial expense	25	122,526	7,356
- <i>third parties</i>		8,597	8,173
- <i>related parties</i>		113,929	(817)
Income taxes	26	535	(2,037)
Change in employee benefits		1,332	(27)
<b>Operating cash flows before changes in working capital</b>		<b>2,694</b>	<b>554</b>
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
<b>Operating cash flows</b>		<b>6,934</b>	<b>230</b>
Interest collected		9,845	1,532
Interest paid		(15,163)	(6,488)
Other income (expense) collected (paid)		(608)	(2,812)
Income taxes paid		-	-
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES (A)</b>		<b>1,009</b>	<b>(7,538)</b>
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		-	-
<b>CASH FLOWS USED IN INVESTING ACTIVITIES (B)</b>		<b>(23,698)</b>	<b>(131,036)</b>
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)
<b>CASH FLOWS FROM FINANCING ACTIVITIES (C)</b>		<b>21,000</b>	<b>139,931</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>		<b>(1,688)</b>	<b>1,357</b>
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:

[EUR]	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
<b>Total assets held for sale</b>	<b>349,367,929</b>	<b>-</b>	<b>-</b>	<b>349,367,929</b>

[EUR]	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
<b>Total liabilities associated with assets held for sale</b>	<b>29,195,266</b>	<b>4,608,296</b>	<b>4,761,365</b>	<b>38,564,927</b>

## 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; (ii) 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 using 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<sup>1</sup> and employee turnover rate.

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.

<sup>1</sup> Discounted using the curve of the IRS rates equal to the term of the relevant observation period (50 years).

**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)	100.00%	-	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	-	-
<b>Equity investments</b>				<b>293,841</b>		<b>495,748</b>

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
<b>Trade receivables</b>	<b>12,315</b>	<b>19,551</b>

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	-	-
<b>Total trade receivables from third parties</b>	<b>280</b>	<b>422</b>

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:

(Euro '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
<b>Other current assets</b>		<b>1,252</b>	<b>1,321</b>

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
<b>Cash and cash equivalents</b>		<b>4,022</b>	<b>5,710</b>

### 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
<b>Other reserves</b>		<b>269,317</b>	<b>292,221</b>



#### 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
<b>Net opening balance</b>	<b>448</b>	<b>454</b>
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)	-	-
<b>Net closing balance</b>	<b>298</b>	<b>448</b>

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)	-	-
<b>Non-current financial liabilities</b>	<b>504,602</b>	<b>635,927</b>
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
<b>Current financial liabilities</b>	<b>36,774</b>	<b>26,468</b>
<b>Total financial liabilities</b>	<b>541,376</b>	<b>662,395</b>

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 net 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
- <i>third parties</i>	198,903	-
- <i>related parties</i> (note 30)	-	1,462
Between three months and one year	1,430	10,095
- <i>third parties</i>	1,430	10,095
- <i>related parties</i> (note 30)	-	-
Between one and two years	4,875	351,854
- <i>third parties</i>	4,875	351,854
- <i>related parties</i> (note 30)	-	-
Between two and five years	334,944	292,913
- <i>third parties</i>	334,944	292,913
- <i>related parties</i> (note 30)	-	-
After five years	1,223	6,070
<b>Total financial liabilities</b>	<b>541,376</b>	<b>662,395</b>

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
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>4,022</b>	<b>5,710</b>
<b>E. Current loan assets</b>	<b>255,597</b>	<b>259,687</b>
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)
<b>I. Current financial debt (F+G+H)</b>	<b>(36,797)</b>	<b>(26,468)</b>
<b>J. Net current financial position (I-E-D)</b>	<b>222,822</b>	<b>238,928</b>
K. Non-current bank loans and borrowings	(504,602)	(635,927)
<b>N. Non-current financial debt (K+L+M)</b>	<b>(504,602)</b>	<b>(635,927)</b>
<b>O. Net financial debt (J+N)</b>	<b>(281,781)</b>	<b>(396,999)</b>

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)
<b>Net financial debt (as per Consob Communication)</b>	<b>(281,781)</b>	<b>(396,999)</b>
Non-current financial assets	179,784	329,685
<b>Total net financial debt</b>	<b>(101,997)</b>	<b>(67,314)</b>

#### 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
<b>Trade payables</b>	<b>2,445</b>	<b>3,020</b>

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
<b>Deferred tax assets</b>	<b>50,200</b>	<b>2,927</b>	<b>468</b>	<b>(36,352)</b>	<b>17,243</b>
Difference between fair value of property, plant and equipment and their tax base	4,239	-	-	-	4,239
<b>Deferred tax liabilities</b>	<b>4,239</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,239</b>

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) [nota 30]	272	37,672
<b>Other current liabilities</b>	<b>5,495</b>	<b>41,555</b>

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
<b>Revenue</b>	<b>27,792</b>	<b>20,942</b>

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
<b>Other operating revenue</b>	<b>246</b>	<b>246</b>

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
<b>Personnel costs</b>	<b>15,615</b>	<b>8,714</b>

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
<b>Total</b>	<b>81</b>	<b>84</b>	<b>81</b>	<b>71</b>

## 23) Other operating costs

(Euro '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
<b>Other operating costs</b>	<b>12,665</b>	<b>12,798</b>

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
<b>Amortisation, depreciation, impairment losses and provisions</b>	<b>1,543</b>	<b>1,143</b>

## 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
<b>Total financial income</b>	<b>18,904</b>	<b>4,056</b>
Interest expense	(15,252)	(7,828)
Other financial expense	(126,178)	(3,584)
<b>Total financial expense</b>	<b>(141,430)</b>	<b>(11,412)</b>
<b>Net financial expense</b>	<b>(122,526)</b>	<b>(7,356)</b>

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	-	-
<b>Income taxes</b>	<b>(535)</b>	<b>2,036</b>

The following table shows a reconciliation between the theoretical tax expense and the effective expense recognised in profit or loss:

(EUR '000)	2017	2016
<b>Theoretical tax expense</b>	<b>29,450</b>	<b>2,177</b>
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)	-
<b>Income taxes</b>	<b>(535)</b>	<b>2,036</b>

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)
<b>Other comprehensive expense</b>	<b>(1,579)</b>	<b>468</b>	<b>(1,111)</b>	<b>(15)</b>	<b>3</b>	<b>(12)</b>

## 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:

(EUR '000)	Note	Level 1	Level 2	Level 3	Total
<b>31 December 2017</b>					
Investment property		-	-	23,000	23,000
<b>Total assets</b>		-		<b>23,000</b>	<b>23,000</b>
Current financial liabilities (derivative instruments)		-	8,679	-	8,679
<b>Total liabilities</b>		-	<b>8,679</b>	-	<b>8,679</b>
<b>31 December 2016</b>					
Investment property	3	-	-	23,000	23,000
<b>Total assets</b>		-		<b>23,000</b>	<b>23,000</b>
Current financial liabilities (derivative instruments)	15	-	12,398	-	12,398
<b>Total liabilities</b>		-	<b>12,398</b>	-	<b>12,398</b>

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](http://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

(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
<b>2017</b>									
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 Espana 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	-	-	-	-	-	-	-	-	-
<b>Total related parties</b>	<b>12,034</b>	<b>177,808</b>	<b>43,232</b>	<b>326</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>(272)</b>	<b>233,115</b>
<b>Total financial statements caption</b>	<b>12,315</b>	<b>179,784</b>	<b>44,167</b>	<b>1,252</b>	<b>4,022</b>	<b>(2,445)</b>	<b>(504,602)</b>	<b>(5,495)</b>	
<b>% impact on the financial statements caption</b>	<b>97.72%</b>	<b>98.90%</b>	<b>97.88%</b>	<b>26.04%</b>	<b>0.00%</b>	<b>0.53%</b>	<b>0.00%</b>	<b>4.95%</b>	
Cementir Italia SpA	-	-	211,430	516	-	-	(23)	(29,172)	182,751
Betontir SpA	-	-	-	-	-	-	-	(4,608)	(4,608)
Cementir Sacci SpA	-	-	-	-	-	(1)	-	(4,760)	(4,761)
<b>Total with related parties held for sale</b>	<b>-</b>	<b>-</b>	<b>211,430</b>	<b>516</b>	<b>-</b>	<b>(1)</b>	<b>(23)</b>	<b>(38,540)</b>	<b>173,382</b>

(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
<b>2016</b>									
Betontir SpA	4	-	-	-	-	-	-	(4,577)	(4,574)
Cimentas AS	8,000	-	-	-	-	-	-	-	8,000
Alfacem Srl	-	-	38,648	269	-	-	-	(178)	38,739
Aslborg 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 Espana 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 Sacchi 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)
<b>Total related parties</b>	<b>19,151</b>	<b>327,003</b>	<b>258,788</b>	<b>490</b>	<b>-</b>	<b>(554)</b>	<b>-</b>	<b>(37,672)</b>	<b>567,206</b>
<b>Total financial statements caption</b>	<b>19,572</b>	<b>329,685</b>	<b>259,687</b>	<b>1,299</b>	<b>5,710</b>	<b>(3,020)</b>	<b>(662,395)</b>	<b>(41,555)</b>	
<b>% impact on the financial statements caption</b>	<b>97.85%</b>	<b>99.19%</b>	<b>99.65%</b>	<b>37.72%</b>	<b>0.00%</b>	<b>18.35%</b>	<b>0.00%</b>	<b>90.66%</b>	

## Revenue and costs

(EUR '000)	Operating revenue and other income	Financial income	Personnel costs	Operating costs	Financial expense	Company total
<b>2017</b>						
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	-	-	-	-	-	-
<b>Total related parties</b>	<b>27,792</b>	<b>9,045</b>	<b>-</b>	<b>(1,791)</b>	<b>-</b>	<b>35,047</b>
<b>Total financial statements caption</b>	<b>29,640</b>	<b>18,904</b>	<b>(15,614)</b>	<b>(12,665)</b>	<b>(141,430)</b>	
<b>% impact on the financial statements caption</b>	<b>93.76%</b>	<b>47.85%</b>	<b>0.00%</b>	<b>14.14%</b>	<b>0.00%</b>	

(EUR '000)	Operating revenue and other income	Financial income	Personnel costs	Operating costs	Financial expense	Company total
<b>2016</b>						
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)
<b>Total related parties</b>	<b>20,942</b>	<b>3,262</b>	<b>-</b>	<b>(2,174)</b>	<b>(652)</b>	<b>21,378</b>
<b>Total financial statements caption</b>	<b>22,094</b>	<b>4,056</b>	<b>(8,714)</b>	<b>(12,798)</b>	<b>(11,411)</b>	
<b>% impact on the financial statements caption</b>	<b>94.79%</b>	<b>80.44%</b>	<b>0.00%</b>	<b>16.99%</b>	<b>5.71%</b>	

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

**Francesco Caltagirone Jr.**

Chairman of the Board of Directors





KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Ettore Petrolini, 2  
00197 ROMA RM  
Telefono +39 06 80961.1  
Email it-fmauditaly@kpmg.it  
PEC kpmgspa@pec.kpmg.it

(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.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

Ancona Aosta Bari Bergamo  
Bologna Bolzano Brescia  
Catania Como Firenze Genova  
Lecce Milano Napoli Novara  
Padova Palermo Parma Perugia  
Pescara Roma Torino Treviso  
Trieste Varese Verona

Società per azioni  
Capitale sociale  
Euro 10.150.950,00 i.v.  
Registro Imprese Milano e  
Codice Fiscale N. 00709600159  
R.E.A. Milano N. 512867  
Partita IVA 00709600159  
VAT number IT00709600159  
Sede legale: Via Vittor Pisani,  
25 20124 Milano MI ITALIA



**Cementir Holding S.p.A.**  
Independent auditors' report  
31 December 2017

### ***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.



**Cementir Holding S.p.A.**  
*Independent auditors' report*  
31 December 2017

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

## **Board of Auditors Report to be submitted to the Shareholders' Meeting**

**Pursuant to article 153 Legislative Decree No. 58/98 and article 2429, paragraph 3 of the Civil Code**

Dear Shareholders,

Over the course of the financial year which ended on 31 December 2017, the Board of Auditors carried out its supervisory activity as established by law and by the articles of association, in compliance with the regulations in force governing joint-stock companies listed in regulated markets and in compliance with Legislative Decree No. 58 dated 24 February 1998, as statutory auditing falls under the responsibility of the Independent Auditors KPMG S.p.A.. The activities carried out by the Board of Auditors have also been carried out in full respect of the Code of Conduct established by the National Board of Chartered Accountants and Accounting Experts.

This report is prepared in compliance with the instructions provided by CONSOB through its notifications. The Board of Auditors has acquired and verified the information detailed below, both by participating in the Shareholders' Meetings, in meetings of the Board of the Directors and in those of the Internal Board Committees, as well as through the constant exchange of information with the independent Auditors and other corporate departments: Finance, Legal, Internal Audit, Risk & Compliance and last but not least, the Supervisory Body.

### **THE BOARD OF AUDITORS IN OFFICE FOR THE THREE-YEAR PERIOD 2017-2019**

The Board of Auditors in office as of the date of this report was appointed by the Shareholders' Meeting held on 19 April 2017; the Board of Auditors in office for the financial years 2017-2019 comprises the following members: Silvia Muzi (Chairperson), Claudio Bianchi (Statutory Auditor) and Maria Assunta Coluccia (Statutory Auditor); Alternate Auditors: Patrizia Amoretti, Antonio Santi and Vincenzo Sportelli.

### **CONSIDERATIONS ON TRANSACTIONS WITH THE GREATEST FINANCIAL IMPACT PERFORMED BY THE COMPANY IN 2017**

The Board of Auditors obtained all the information deemed useful regarding the activities carried out in the financial year 2017, both by the Parent Company and the subsidiary companies, in full respect of the contents of article 151, paragraph 1 of the Consolidated Finance Act (TUF).

With regard to the most significant economic, financial and investment transactions carried out in the financial year, also through subsidiary companies, the Board may reasonably state that the actions resolved and adopted were in compliance with the law and the articles of association and that they were not evidently imprudent, risky or in conflict with the Shareholder Meeting's resolutions or such as to threaten the integrity of the Company's assets. Concerning the elements and data acquired during the meetings of the Board of Directors, the Board of Auditors can confirm that there is no evidence that the Directors carried out transactions in potential conflict of interest. The transactions of particular importance that marked corporate activity have been described in detail in the Directors' Report, to which reference is made.

The Board of Auditors carried out supervision to ensure that the resolutions were supported by adequate explanatory documentation and, whenever necessary, by the opinion of experts as additional support to the financial appropriateness of the transactions performed.

The Board of Directors, in compliance with Regulation EU No. 596/2014 and CONSOB Resolution No. 11971 dated 14 May 1999, has verified that a review of the Internal Dealing Code – that the Company had already adopted in 2006 – was carried out. In particular, the updating of such Code was decided by the Board of Directors on 27 July 2017, along with the Code of Ethics.

Furthermore, the Board carried out supervision as regards the provisions of article 115-bis of the Consolidated Finance Act (TUF) and the Issuers' Regulation, i.e. on the updating of the Register of individuals with authorization to access privileged information.

**ATYPICAL AND/OR UNUSUAL TRANSACTIONS, INCLUDING THOSE PERFORMED WITHIN THE GROUP OR WITH RELATED PARTIES**

Over the course of the financial year, the Board of Auditors did not identify, and did not receive notifications from the Board of Directors, Independent Auditors and Internal Audit Department, regarding any atypical and/or unusual transactions performed with the companies of the Group, with third parties or related parties. In this respect, please note that transactions with related parties are performed according to a specific internal procedure, which was supplemented during the year and approved by the Board of Directors, on 3 March 2017. In the notes to the financial statements, in accordance with the instructions established by IAS 24 and CONSOB Communication No. 17221 dated 12 March 2010, the Directors provide information on the intra-group transactions highlighting the relationships with subsidiaries and associates and with the reference shareholder, whether of a financial or commercial nature. In light of the verifications carried out, the Board of Auditors can specifically state that the intra-group transactions fall within the ordinary management transactions of the company and have been carried out under market conditions. Please refer to the Directors' Report for details. It is acknowledged that the transactions detailed therein have been performed in compliance with the methods established in the specific procedure, adopted in compliance with article 2391 bis of the Civil Code and CONSOB implementation regulations.

**PRINCIPLES OF PROPER ADMINISTRATION AND ADEQUACY OF THE ORGANIZATIONAL STRUCTURE**

The Board of Auditors received information and carried out supervision, within the limits of its power, on the adequacy of the Company organisational structure, on compliance with the principles of proper administration, and on observance of the law and the Articles of Association. It monitored the prompt application of the provisions issued by Cementir Holding S.p.A. to its subsidiaries pursuant to Article 114, paragraph 2, of Legislative Decree No. 58/98, through the acquisition of information provided by managers of the competent internal company departments.

The Board of Auditors verified the implementation of the independence criteria and of the verification procedures adopted by the Board of Directors, both for independent Directors and for members of the Board of Auditors. It acquired said declarations and referred to them over course of its activity. The relative documents are held in the Company records, which fulfilled all required information obligations. It should be noted that the current Board of Directors consists of twelve members, four of whom are independent.

The Board of Auditors verified the requirements established by the Voluntary Self-Regulatory Code for Listed Companies regarding the non-existence of causes of ineligibility, as well as regarding the application of best practices in terms of composition, gender and professional experience.

The Board of Auditors verified the actual implementation of the Corporate Governance regulations established by the Voluntary Self-Regulatory Code and by article 149, paragraph 1, letter c-bis of the Consolidated Finance Act (TUF), carrying out the related verifications pursuant to article 36, paragraph 1 of the CONSOB Regulation No. 20249/2017 (Markets).

During the meeting held on 8 March 2018, the Board of Directors approved the remuneration policy adopted and the relative information established by article 123-ter of Legislative Decree No. 58/98; the Board had nothing to report in this regard.



The Chairman of the Board of Auditors attended the meetings of the Appointment and Remunerations Committee, reporting to the Statutory Auditors on the matters discussed and their conclusions.

The Board of Auditors also verified the adequacy and reliability of the administrative and accounting system to properly represent management events with the Manager Responsible for Financial Reporting, as required by Article 16 of the Articles of Association, thanks to a constant exchange of information. The organizational changes that took place during the year mainly concerned the Company's top management, with the appointment of the General Manager in May 2017.

#### **ADEQUACY OF INTERNAL CONTROL AND RISK MANAGEMENT. ACTIVITIES CARRIED OUT BY INTERNAL AUDIT AND CORPORATE AND RISK MANAGEMENT DEPARTMENTS**

The Board of Auditors assessed and supervised the adequacy of the internal control and risk management system, as well as the works to update the Internal Audit plan, constantly interacting with the Internal Audit, Management Control, Corporate Risk Management, and Legal and Corporate.

The Chairman of the Board of Auditors attended the meetings of the Control and Risks Committee, reporting to the Statutory Auditors on the matters that were subject of specific reviews, from which no significant elements to report emerged.

The Board of Auditors met with the Internal Audit Department on the occasion of each meeting of the Board, as well as in other circumstances deemed useful or necessary. The progress status of the work plan undertaken was monitored, also through a follow-up of the activities carried out over the course of the year and, last but not least, through an analysis of the risk management approach by the Company and the information system with regard to the Control and Risk Committee, the Board of Auditors and the Board of Directors. The Board of Auditors, together with the Control and Risk Committee, also acknowledged the risk assessment plan prepared in accordance with the provisions of the Voluntary Self -Regulatory Code, application criteria 1. C. 1, letter b).

During the periodic meetings, monitoring activities were performed on the organization of the Internal Audit department, examining and acquiring the related quarterly reports brought to the attention of the Board, requesting and obtaining information on the organizational and procedural activities connected with both the characteristics of the Group and compliance with current regulations, verifying that any corrective actions taken were adequate and exhaustive solutions.

Finally, the Board of Auditors maintained a constant exchange of information and conversation with the Supervisory Body, which provided a detailed report on the activities carried out during the year. The organizational model pursuant to Legislative Decree 231/2001 is up to date, in accordance with current legislation.

#### **ADEQUACY AND RELIABILITY OF THE ADMINISTRATIVE SYSTEM TO REPRESENT MANAGEMENT EVENTS**

With reference to this activity, the Board of Auditors monitored the financial information process and the adequacy of the administrative and accounting system. Further to verifications, the accounting administrative system was considered adequate and capable of properly representing both management events and the preparation of the separate financial statements, the consolidated financial statements and the Directors' Report.

The Board of Auditors performed the verifications by obtaining information from the Administration Finance and Control Department of the Company and from the Manager Responsible for Financial Reporting, as well as by reviewing company documentation and the results of the work carried out by the Independent Auditors, in compliance with the provisions of article 154-bis of the TUF.

The Board of Auditors also verified compliance with the procedures for the publication and filing of the annual financial statements and interim reports, monitoring the preparation and dissemination of communications on significant financial information.

**RELATIONS WITH THE INDEPENDENT AUDITORS PURSUANT TO ARTICLE 150, PARAGRAPH 3 OF LEGISLATIVE DECREE 58/98**

The Board of Auditors met with the Independent Auditors KPMG S.p.A., which is in charge of auditing the separate financial statements and consolidated financial statements, both during Board meetings and on other occasions to discuss specific matters. Regarding the results of the financial statements for the financial year which ended on 31 December 2017, the appropriate technical in-depth analyses were performed on the most significant entries in the document in constant cooperation with the independent auditors, in line with their respective areas of competence and responsibility. Pursuant to article 150, paragraph 3, of Legislative Decree No. 58/98, the meetings were aimed at the reciprocal exchange of information and opinions, verifying the correct use of the accounting standards and their consistency in the preparation of the separate and consolidated financial statements.

Cementir Holding S.p.A. has prepared the Financial Statements for the year 2017 and the consolidated financial statements in compliance with the IAS-IFRS international accounting standards recognized by the European Union pursuant to the EC Regulation No. 1606/2002 and pursuant to articles 2 and 3 of Legislative Decree No. 38/2005, as well as the CONSOB Resolution No. 15519. Over the course of the verifications performed, no events or situations emerged that required mention in this Report. With the cooperation of the corporate departments in charge, the assessment criteria related to the new accounting standards adopted by the Group and to IFRS 5 were reviewed with specific regard to the transactions for the sale of the Italian assets, Cementir Italia S.p.A., finalised on 2 January 2018.

Moreover, the Board of Auditors has verified the completeness of the information provided by the Directors in the Directors' Report, thus confirming that said document is in compliance with the law and reference accounting standards. The exchange of opinions on said document naturally also involved the Company KPMG S.p.A. especially regarding instructions on the consistency of the aforementioned Directors' Report and financial statements on which the Independent Auditors has to express its opinion.

Pursuant to art. 17, paragraph 9, of the Legislative Decree No. 39/2010, the Board of Auditors has verified that the requirement of independent status of the independent auditors had been met and that no omissions or reprehensible facts or irregularities took place. At the same time, during supervisory activity, no significant events occurred that were such to require notification to the supervisory bodies or mention in this report; The Board of Auditors acknowledges that certification of the separate financial statements and of the consolidated financial statements pursuant to art.154 bis paragraphs 3 and 4 of the Consolidated Finance Act (TUF) is the responsibility of the Chairman of the Cementir Holding Board of Directors and the Manager Responsible for Financial Reporting.

On 27 March 2018, the appointed Independent Auditors issued its report – and the additional report provided from this year pursuant to art. 11 of Regulation (EU) No. 537/2014 – with a favourable opinion on the approval of the financial statements submitted to the Shareholders' Meeting. The opinion was "clean".

For the financial year 2017, the following remuneration for statutory auditing tasks was paid to the independent auditors KPMG and its network:

- Separate financial statements EUR 41,800;
- Consolidated financial statements EUR 32,600;
- Limited audit of the condensed consolidated half-year report EUR 10,260;
- Signing of the Unified Tax Form EUR 1,060.

The total amount paid to the independent auditors has been disclosed in the financial report pursuant to article 149-duodecies of the Issuers' Regulation, to which reference is made.

## **CORPORATE GOVERNANCE**

The Company adheres to the Voluntary Self-Regulatory Code for listed companies, prepared on the initiative of Borsa Italiana. The current governance of the Company is in line with the Voluntary Self-Regulatory Code recommendations.

The annual report on corporate governance, prepared in accordance with Article 123-bis of the Consolidated Finance Act (TUF), was approved by the Board of Directors on 8 March 2018: in line with best practices and with the approach adopted in previous years, expressing the recommendations of the code adopted and those for which it was deemed appropriate not to adhere based on the principle of *"comply or explain"*. The Issuer and its subsidiaries with strategic importance are not subject to non-Italian provisions of law that influence the Issuer's own corporate governance structure.

## **CLAIMS UNDER ARTICLE 2408 OF THE ITALIAN CIVIL CODE AND FILING OF STATEMENTS**

During the financial year to which the financial statements pending your approval refer, the Board of Auditors has not received any claims under Article 2408 of the Italian Civil Code, or any statements or notifications of any type.

## **Opinions provided in accordance with law during the financial year**

Over the course of the financial year 2017 the Board of Auditors issued opinions required by law and by the Articles of Association, on the appointment of the General Manager and for the appointment of the Manager Responsible for Financial Reporting, adopted by Board of Directors on 11 March 2017.

## **SUSTAINABILITY REPORT - NON-FINANCIAL STATEMENT AS PER LEGISLATIVE DECREE 254/2016**

Effective from the financial year 2017, the Board of Auditors has been called upon to express its opinion on the Sustainability Report 2017, pursuant to Legislative Decree No. 254 dated 30 December 2016, which transposed Directive 2014/95/EU as regards disclosure of non-financial and diversity information on the composition of the administration, management and control bodies by certain large undertakings and groups. While pointing out that the Company has been preparing its own Environmental Report for more than ten years, in order to prepare the 2017 edition, the Board of Auditors used the following as reference:

- CONSOB Resolution No. 20267 dated 18 January 2018 through which the *"Regulation implementing Legislative Decree No. 254 dated 30 December related to the disclosure of information of a non-financial nature"* was adopted;
- The document issued by the National Association of Chartered Accountants entitled *"Sustainability disclosure: Legislative Decree No. 254/2016 on the disclosure of non-financial information and on diversity"* dated 15 February 2017;
- The document issued by the National Board of Chartered Accountants and Accounting Experts *"Disclosure of non-financial information - international and national trends in reporting and certification"* dated December 2017;
- The Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (the so-called IESBA Code).

Pursuant to Legislative Decree No. 254/2016, the Board of Directors has carried out supervision on the correctness of the data reported in the Sustainability Report – Non Financial Statement 2017, also based on the discussions held with the audit firm PWC S.p.A., in charge of the so-called *"limited assurance engagement"*, which by issuing the Certification Letter on 27 March 2018, had nothing to report.

## CONCLUSIONS

While carrying out its activity in the 2017 financial year, the Board met six times, participated in the Shareholders' Meeting held on 29 April 2017 — on which occasion the Board of Auditors for the three-year period 2017/2019 was appointed - and attended seven meetings of the Board of Directors.

While also taking into consideration the activities carried out at the beginning of the 2018 financial year, the Board of Auditors participated in five meetings of the Risk and Control Committee, three meetings of the Related Parties Committee and two meetings of the Appointments and Remuneration Committee.

In view of the work performed during the financial year and discussion with the Independent Auditors KPMG S.p.A., the Board of Auditors did not identify any impediments within its area of responsibility to the approval of financial statements. Specifically, the Board of Auditors:

- expresses its favourable opinion on approval of the final financial statements of Cementir Holding S.p.A. as at 31 December 2017 and the Directors' Report, as well the financial statements of the Group and of the Company, which accompany it;
- sees no reason to object to the Directors' proposal to cover the losses for the year 2017 of EUR 123,242,525, using EUR 21,332,162 from the negative goodwill reserve, EUR 4,178,091 from revaluation reserve pursuant to Law 266/2005, and full use of the revaluation reserve pursuant to Law 342/2000 in the amount of EUR 97,732,272;
- It agrees to the Directors' proposal not to reconstitute the revaluation reserve pursuant to Law 266/2005;
- it sees no reason to object to the Directors' proposal to distribute a dividend of EUR 0.10 per share, for a total of EUR 15,912,000, using profits carried forward for this purpose.

Lastly, the Board of Auditors has reviewed the consolidated 2017 Financial Statements of the Cementir Holding Group and has acknowledged the favourable opinion expressed in its respect by the independent auditors KPMG S.p.A.

Rome, 27 March 2018

THE BOARD OF AUDITORS OF CEMENTIR HOLDING S.P.A.

**DR.SSA SILVIA MUZI**

CHAIRMAN

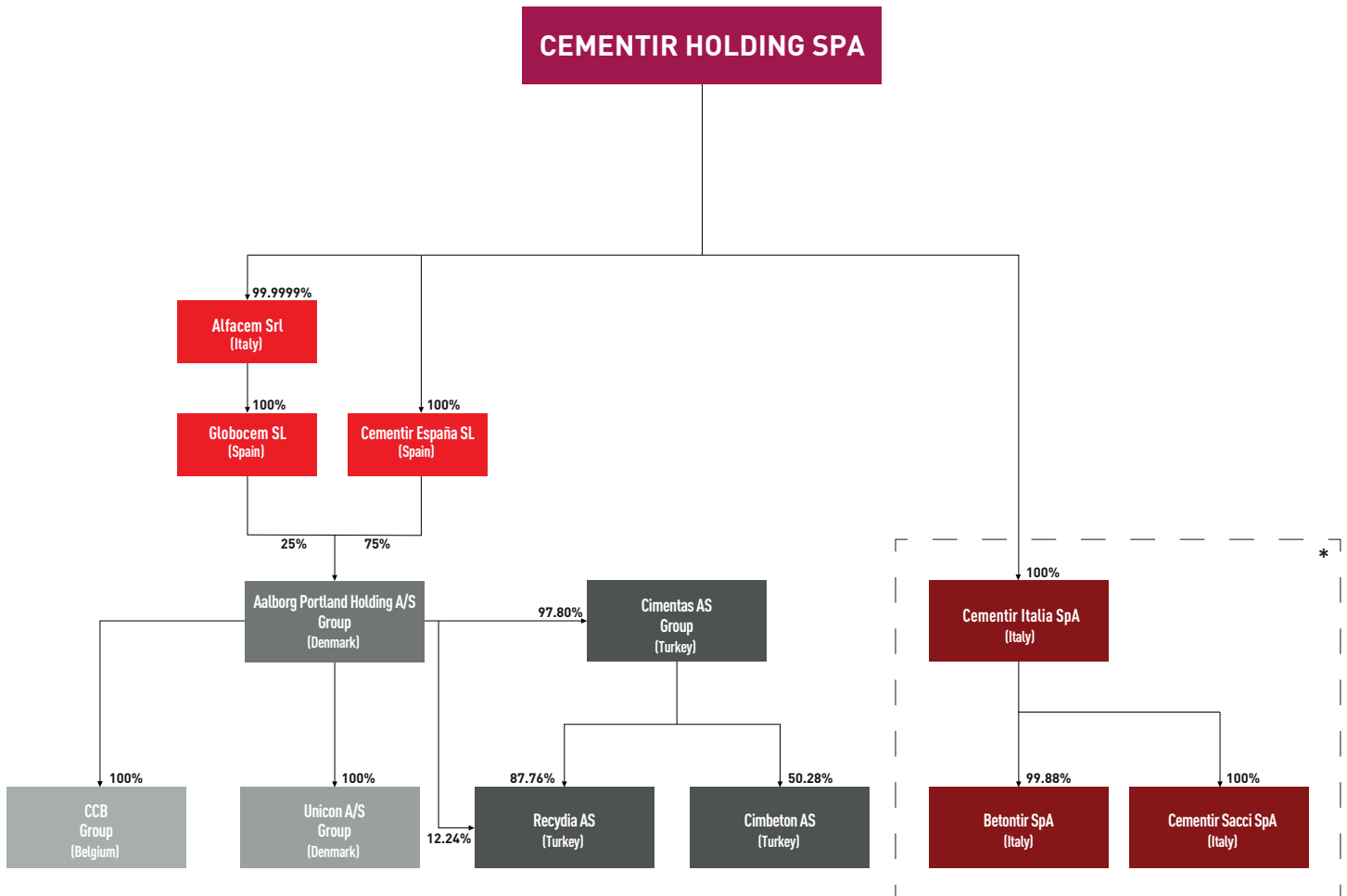
**PROF. CLAUDIO BIANCHI**

STANDING AUDITOR

**AVV. MARIA ASSUNTA COLUCCIA**

STANDING AUDITOR

## Simplified structure of the Group



\* The companies Cementir Italia SpA, Betontir SpA and Cementir Sacci SpA were sold on 2 January 2018





200, corso di Francia - 00191 Rome - Italy

Tel. +39 06 324931

VAT Number 02158501003 REA C.C.I.A.A. Roma 160.498

Share Capital Eur 159.120.000

Tax Number 00725950638

**[www.cementirholding.it](http://www.cementirholding.it)**

Design, Layout and Printing

**PRC** | PROMOZIONE  
RICERCHE  
CONSULENZE

