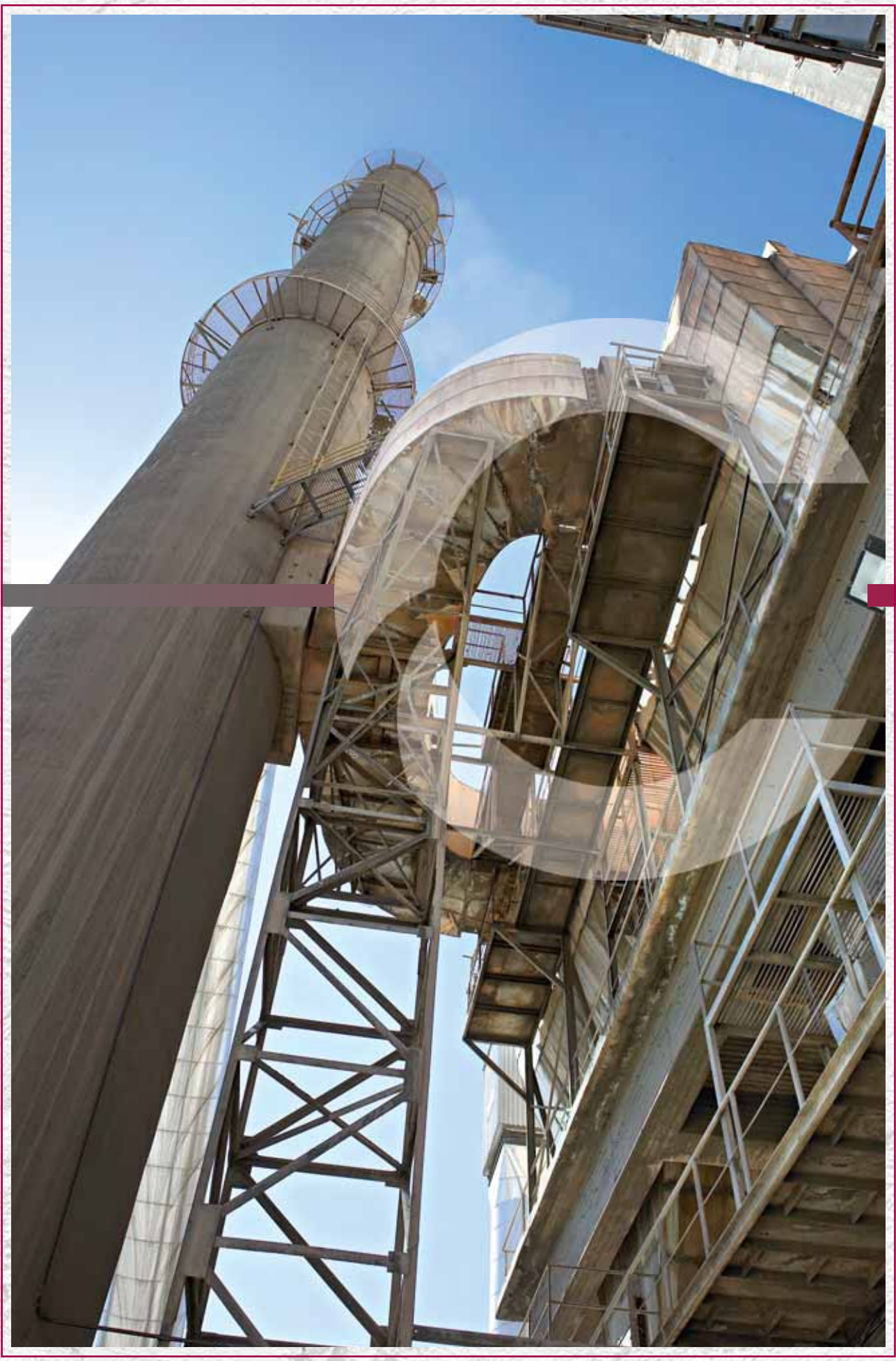


70th Financial Year
Annual
Report
2016

70th Financial Year
**Annual
Report
2016**



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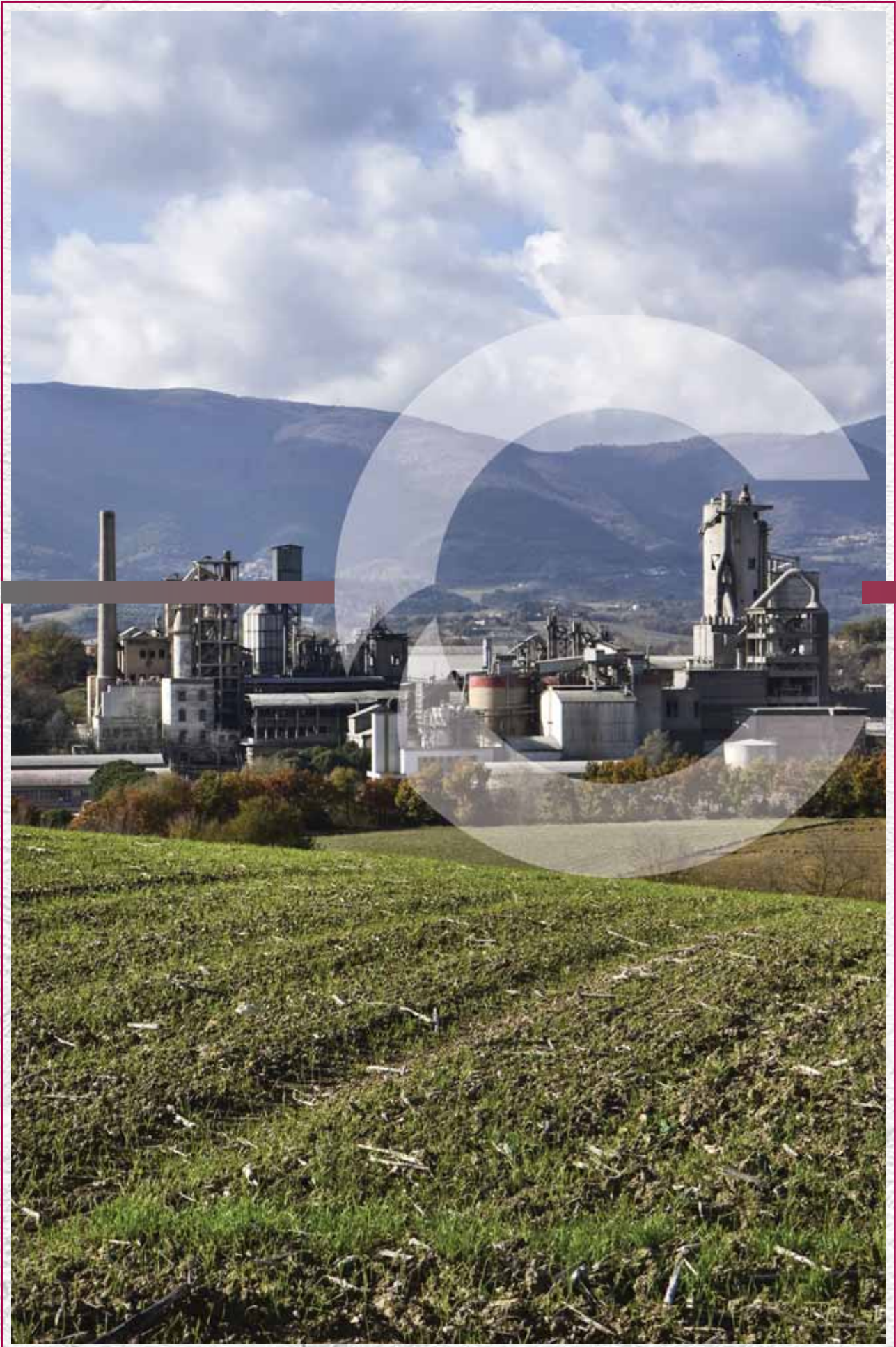
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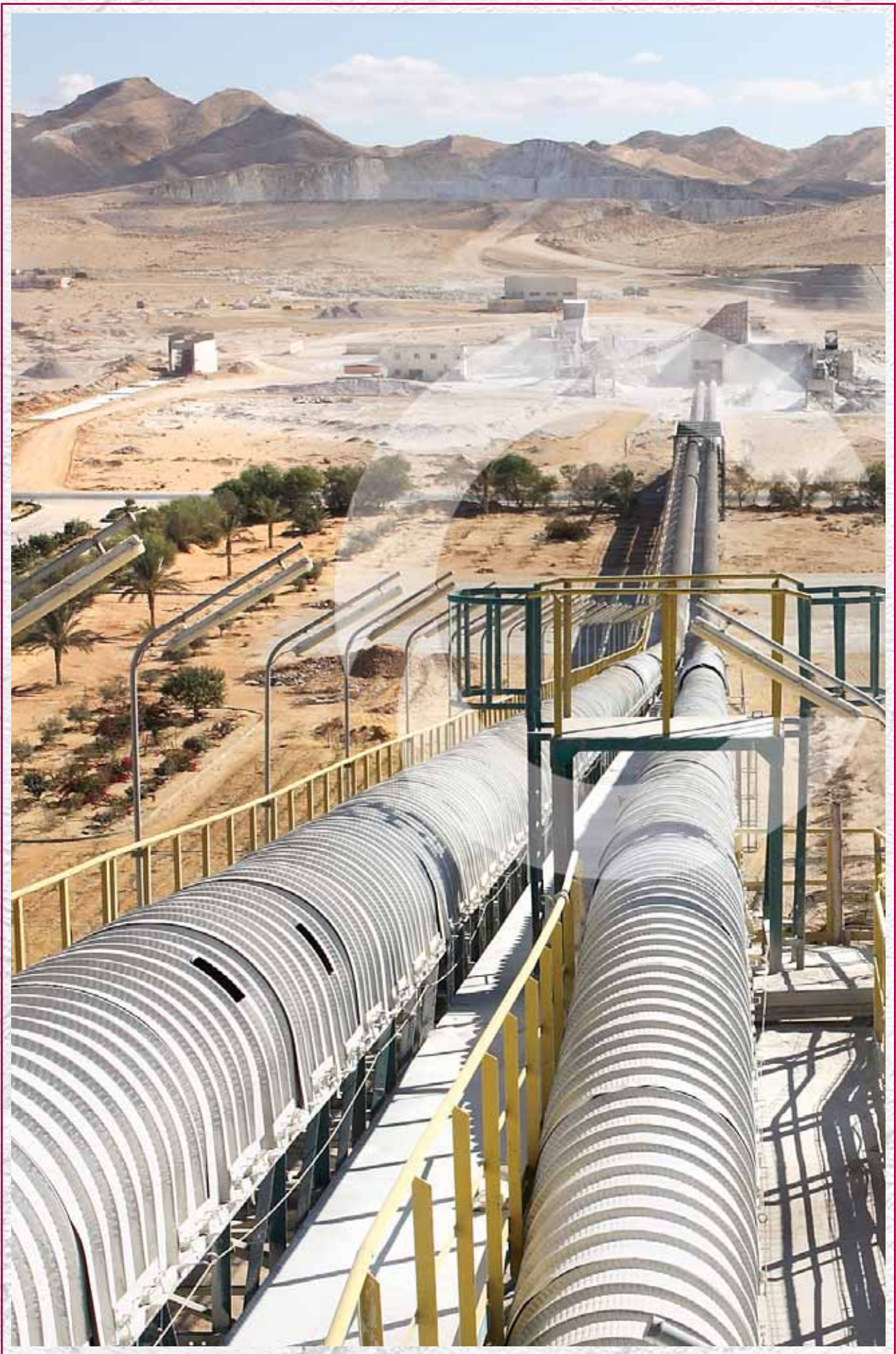
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LETTER FROM THE CHAIRMAN

Dear Shareholders,

In 2016 the Group was engaged in major initiatives that have resulted in changes to our strategic positioning and to the Group reaching a new level of scale.

Indeed we finalised two significant acquisitions over the course of just a few months last year, in line with the goal of achieving external growth and pursuing geographical and product diversification. In Belgium we acquired the CCB-*Compagnie des Ciments Belges* group and in Italy we acquired the cement and ready-mixed concrete business division of Sacci. The two acquisitions enable our Group to expand in the heart of Western Europe and to take a greater role in the Italian market, while also increasing our exposure to the aggregates sector.



The Group has been organised to support these initiatives with a model broken down into four regional areas, cross-integrated by a system of "professional families" which provide guidance and coordination across the different areas. The new approach will facilitate further process harmonisation and the adoption of models, methodologies and systems to support intercompany integration and Group strategy.

In 2016 Cementir Holding achieved positive earnings and financial results, with revenue in excess of EUR 1 billion, an increase of 6% over 2015, made possible by the acquisitions completed during the year. On a like-for-like basis Group revenue remained stable despite the heavily negative exchange-rate effect.

EBITDA meanwhile reached EUR 198 million, benefiting from the strong performance of Scandinavian countries and Malaysia which offset the lower earnings in Turkey, Egypt and Italy, and the negative impact of the depreciation of the Turkish lira, the British pound and the Egyptian pound, on top of the geopolitical events that affected Turkey and Egypt.

From a financial perspective the Group demonstrated effective management, with high cash flow generation and control of working capital, resulting in end-of-year net financial debt of EUR 562.4 million. This was an improvement on forecasts and is under control given a pro-forma net financial debt/EBITDA ratio of 2.5.

In 2016 Cementir Holding prepared its new Business Plan 2017-2019, which was presented in March 2017. The plan calls for a further phase of growth with the aim of improving profitability and operating efficiency, while focusing our efforts and abilities on integrating the two acquisitions and generating cash flows.

The plan has four strategic priorities: integrating the two acquisitions in Belgium and Italy, improving the profitability of businesses in all geographical areas, strengthening leadership in the white cement segment, and cash generation.

The initiatives set out in the plan include: improving processes to reduce fuel and electricity consumption; increasing the use of alternative fuels and their progressive introduction in Italy; improving logistics costs with the creation of a dedicated function within the organisational structure; streamlining processes and containing costs; rationalising IT systems through centralised projects; and careful control of overheads.

This is expected to bring an increase in revenue (EUR 1.4 billion in 2019, +11% compared to 2016, +4% excluding Cementir Sacci and CCB) and EBITDA (EUR 260 million in 2019, up around EUR 62 million compared to 2016), with planned annual investments of around EUR 90 million. Net financial debt is expected to be around EUR 360 million at the end of 2019, with a progressive reduction of the net financial debt/EBITDA ratio, which will fall to 1.4 at the end of 2019.

Our commitment to sustainability-related issues continued in 2016 with important initiatives across projects, strategic approach and reporting.

Indeed in 2016 we created an operating unit dedicated to Corporate Social Responsibility, defined the pillars of the new sustainability strategy and prepared the Group's first Sustainability Report. The Sustainability Report replaces the Environmental Report that we have published for the past eight years and brings us into line one year early with EU Directive 2014/95/EU, which makes non-financial reporting mandatory starting from 2017. The Report represents a robust commitment to sustainability, ensuring that we deliver value not only to shareholders but to all stakeholders.

I would like to conclude by thanking our shareholders, employees and everyone who has collaborated with the Cementir group for their work to date. In particular, I would like to thank the women and men who have joined the Group during the last year.

Francesco Caltagirone Jr.
Chairman and Chief Executive Officer





Gaurain Plant BELGIUM

GROUP PROFILE

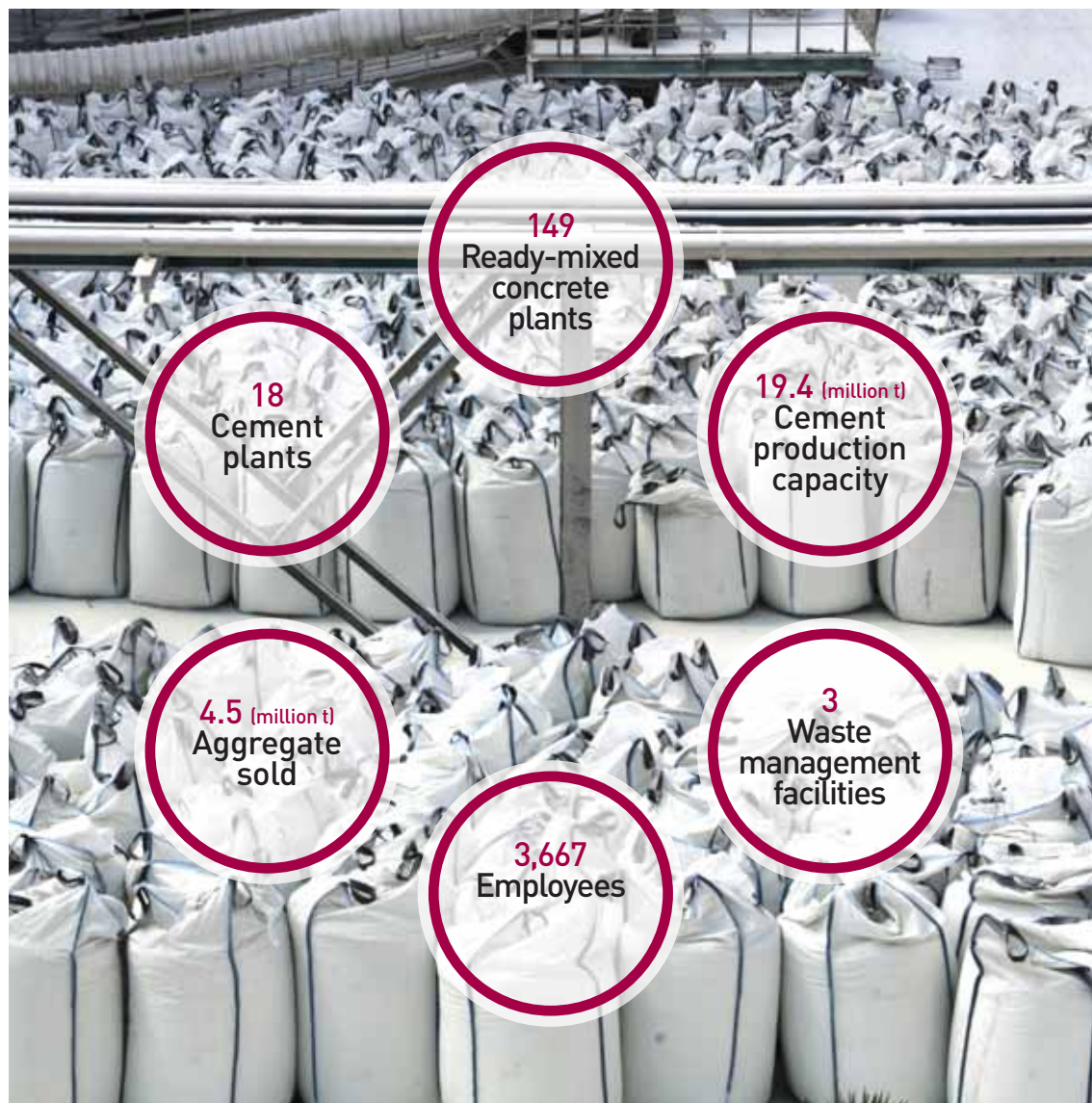
Cementir Holding is an Italian multinational company specialised in the production and distribution of grey and white cement, ready-mixed concrete, aggregates and concrete products. It is also active in the management of urban and industrial waste. The company was formed in Italy in 1947 and is part 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 absolute leader in the production of white cement. The Cementir

Group is the only cement manufacturer in Denmark, the fourth-largest in Italy and one of the biggest in Turkey. It is also the leading ready-mixed concrete manufacturer in Scandinavia.

Cementir is now present in 17 countries across 5 continents. Its strategy is aimed at increasing the integration of its business activities as well as geographical diversification.

The acquisitions made in 2016 in Italy and Europe are part of this international growth strategy. In Italy, Cementir Holding acquired the cement and ready-mixed concrete business division of Sacci, while in Belgium it concluded the acquisition of the company CCB – Compagnie des Ciments Belges, strengthening its production and commercial presence at the heart of Europe.





Aalborg Plant DENMARK



GLOBAL PRESENCE

Grey cement production capacity 16.1 million t	Cement plants 18
White cement production capacity 3.3 million t	Terminals 29
Grey cement sales 7.9 million t	Ready-mixed concrete plants 149
White cement sales 2.2 million t	Quarries 11
Ready-mixed concrete sales 4.4 million m³	Cement product plants 1
Aggregate sales 4.5 million t	Waste management facilities 3

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: **37**
 Terminals: **9**
 Quarries: **3**

Norway

Ready-mixed concrete plants: **31**
 Terminals: **1**

Sweden

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

Iceland

Terminals: **3**

Belgium

Grey cement production capacity: **2.3 million t**
 Cement plants: **1**
 Ready-mixed concrete plants: **10**
 Quarries: **3**

United Kingdom

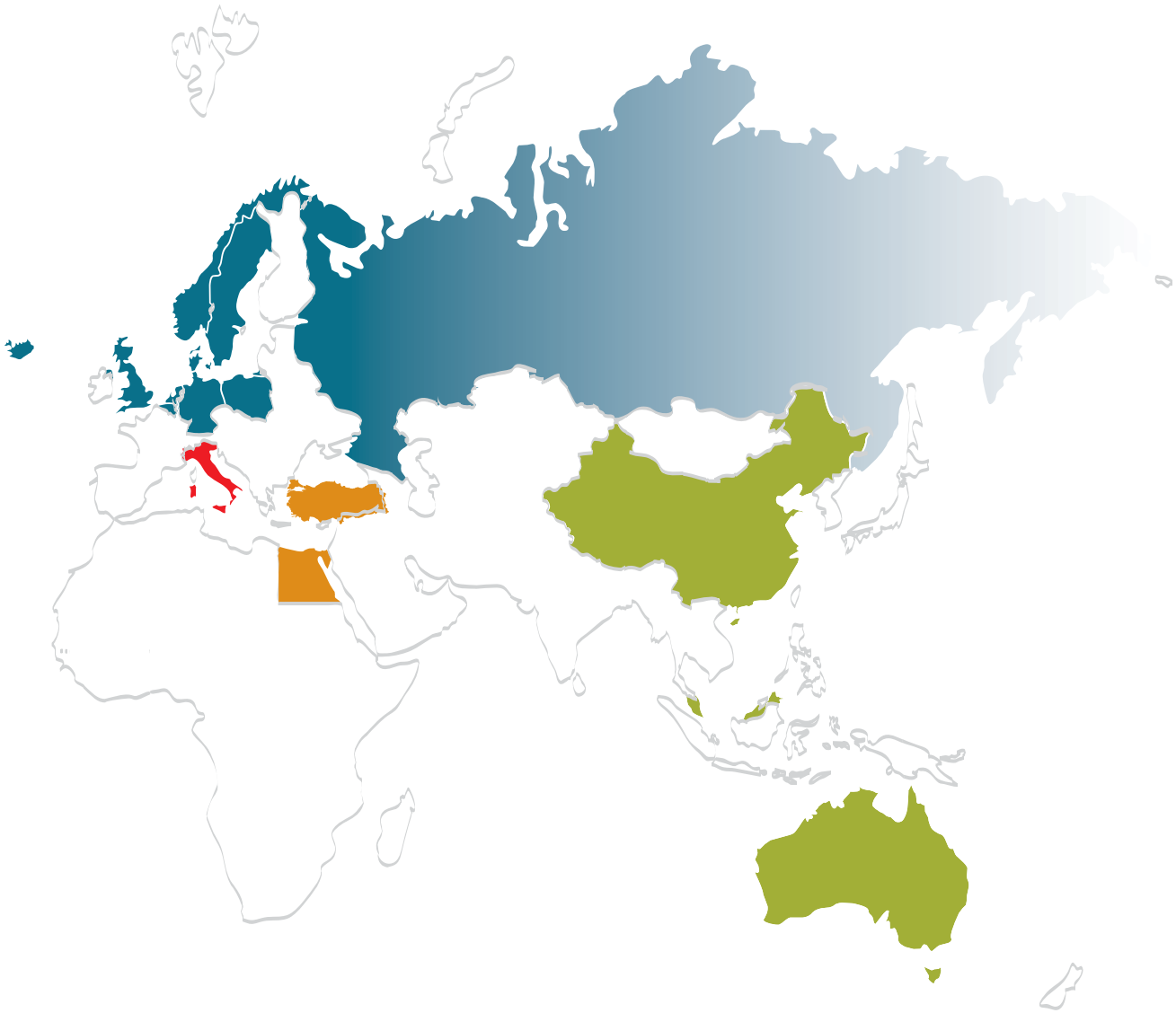
Waste management facilities: **1**

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**

Germany

Terminals: **1**



Netherlands

Terminals: 1

Poland

Terminals: 1

Russia

Terminals: 2

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
- 87** Ready-mixed concrete plants
- 19** Terminals
- 11** Quarries
- 1** Waste management facility

Volumes sold (million/t-m ³)	2016	2015
Denmark		
Grey cement	1.52	1.39
White cement	0.70	0.61
Ready-mixed concrete	1.16	1.17
Aggregates	0.67	0.74
Belgium		
Grey cement	0.25*	-
Ready-mixed concrete	0.14*	-
Aggregates	0.86*	-
Norway		
Ready-mixed concrete	0.91	0.82
Sweden		
Ready-mixed concrete	0.21	0.18
Aggregates	2.93	3.08

*Compagnie des Ciments Belges included only from 25 October 2016

EASTERN MEDITERRANEAN

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

Volumes sold (million/t-m ³)	2016	2015
Turkey		
Grey cement	4.30	4.25
Ready-mixed concrete	1.89	1.49
Egypt		
White cement	0.51	0.55

CENTRAL MEDITERRANEAN

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

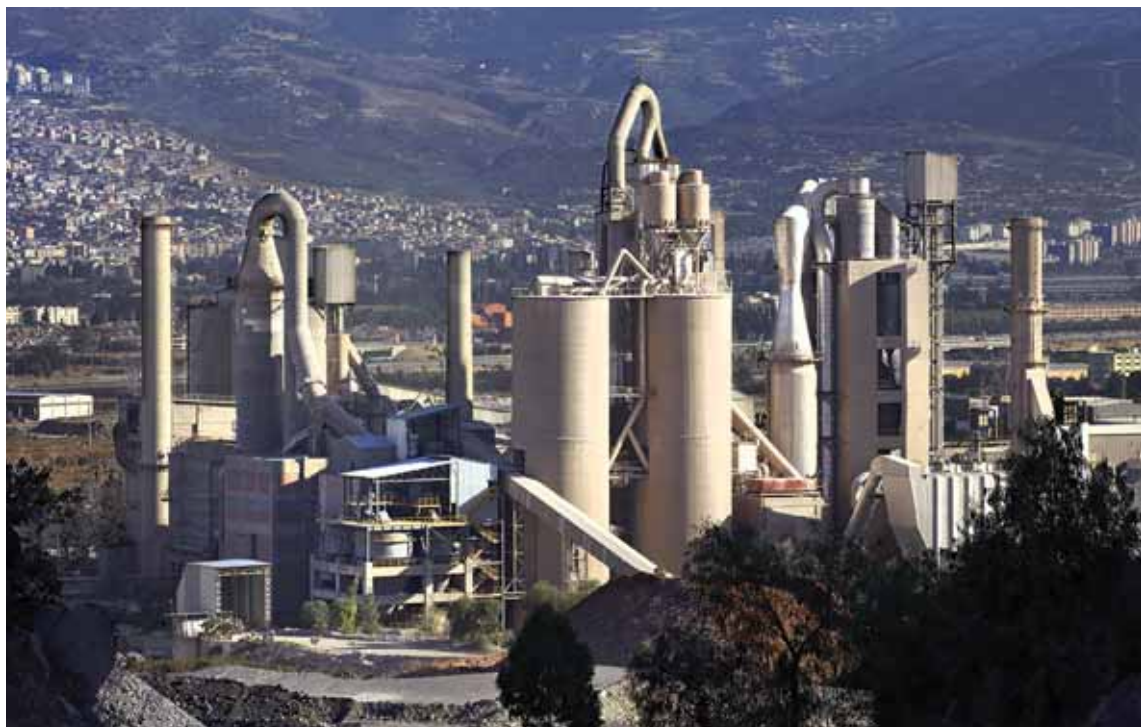
Volumes sold (million/t-m ³)	2016	2015
Grey cement	1.85*	1.71
Ready-mixed concrete	0.11*	0.09
White cement	0.002	0.003

*Cementir Sacchi included only for 5 months

ASIA PACIFIC

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

Volumes sold (million/t-m ³)	2016	2015
China		
White cement	0.66	0.61
Malaysia		
White cement	0.31	0.30

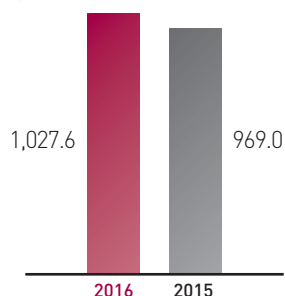


Izmir Plant TURKEY

PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

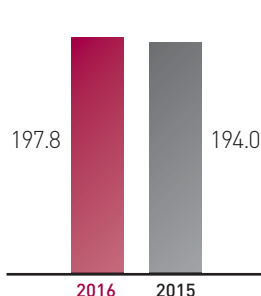
Revenue from sales and services
(Euro million)

+6.0%



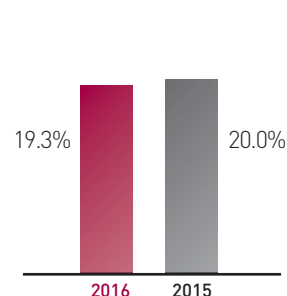
EBITDA
(Euro million)

+2.0%



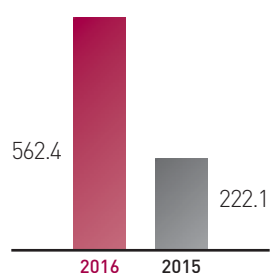
EBITDA/Revenue %

-0.7 percentage points

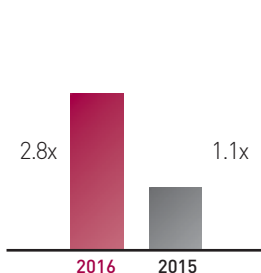


Net financial debt
(Euro million)

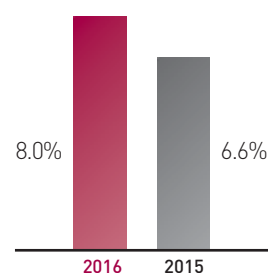
+340.3



Net financial debt/EBITDA



Return on Equity ROE (%)



Performance highlights

[EUR '000]	2016	2015	2014	2013	2012	2011	2010
Revenue from sales and services	1,027,578	969,040	948,013	988,614	976,193	933,014	842,260
EBITDA	197,826	194,036	192,432	169,720	138,054	124,191	108,930
EBITDA Margin %	19.3%	20.0%	20.3%	17.2%	14.1%	13.3%	12.9%
EBIT	94,659	97,645	104,085	76,684	48,230	36,206	22,521
EBIT Margin %	9.2%	10.1%	11.0%	7.8%	4.9%	3.9%	2.7%
Net financial income (expense)	23,936	3,998	(4,602)	(13,530)	(19,614)	(20,602)	3,384
Profit (loss) before taxes	118,595	101,643	99,483	63,154	28,616	15,604	25,905
Income taxes	(33,246)	(26,542)	(20,758)	(14,992)	(4,572)	(5,766)	(8,306)
Profit (loss) for the year	85,349	75,101	78,725	48,162	24,044	9,838	17,599
Profit margin %	8.3%	7.8%	8.3%	4.9%	2.5%	1.1%	2.1%
Group profit	67,270	67,477	71,634	40,124	16,462	3,025	9,344
Group profit margin %	6.5%	7.0%	7.6%	4.1%	1.7%	0.3%	1.1%

Financial and equity highlights

[EUR '000]	2016	2015	2014	2013	2012	2011	2010
Net capital employed	1,622,741	1,353,192	1,401,632	1,354,291	1,487,152	1,440,415	1,492,744
Total assets	2,435,444	1,849,551	1,873,410	1,848,027	1,975,161	1,908,445	1,950,718
Total equity	1,060,303	1,131,105	1,123,301	1,029,409	1,114,123	1,082,881	1,156,612
Equity attributable to the owners of the parent	992,697	1,048,670	1,043,070	954,425	1,034,920	1,004,562	1,077,141
Net financial debt	562,438	222,087	278,331	324,882	373,029	357,534	336,132

Profit and equity ratios

	2016	2015	2014	2013	2012	2011	2010
Return on equity (a)	8.0%	6.6%	7.0%	4.7%	2.2%	0.9%	1.5%
Return on capital employed (b)	5.8%	7.2%	7.4%	5.7%	3.2%	2.5%	1.5%
Equity ratio (c)	43.5%	61.2%	60.0%	55.7%	56.4%	56.7%	59.3%
Net gearing ratio (d)	53.0%	19.6%	24.8%	31.6%	33.5%	33.0%	29.1%
Net financial debt/EBITDA	2.8x	1.1x	1.4x	1.9x	2.7x	2.9x	3.1x

(a) Profit (loss) for the year/Total equity.

(b) EBIT/Net capital employed.

(c) Total equity/Total assets.

(d) Net Financial Debt/Total equity.

Personnel and investments

	2016	2015	2014	2013	2012	2011	2010
Number of employees (at 31 Dec)	3,667	3,032	3,053	3,170	3,311	3,200	3,289
Acquisitions (EUR million)	435(e)	-	-	-	10.7	5.2	8.5
Investments (EUR million)	71.8	61.3	66.3	81.7	87.5	73.2	62.6

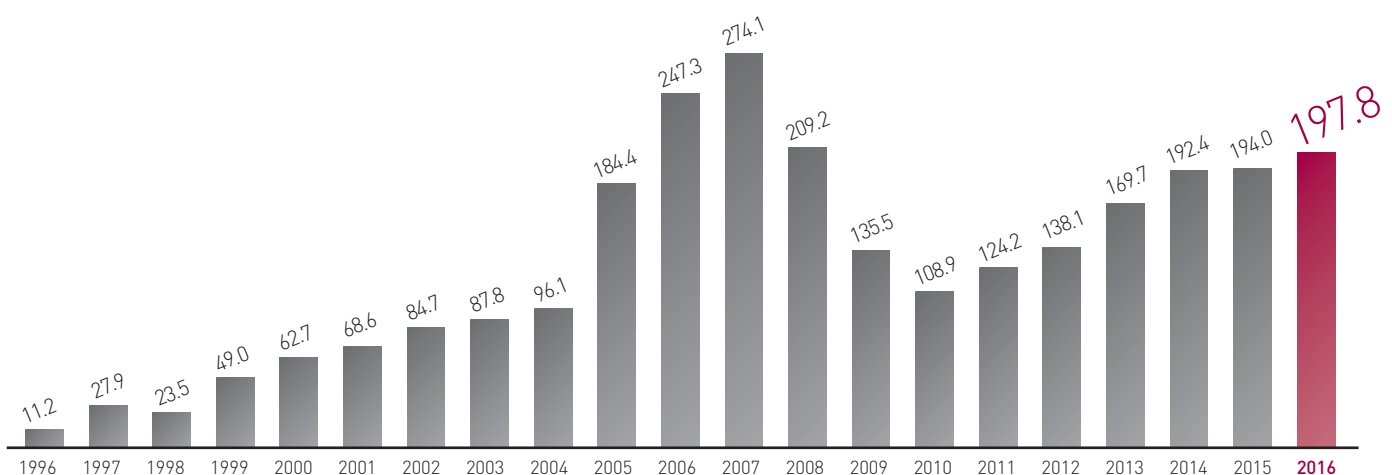
(e) Before price adjustments, on cash and debt-free basis.

Sales volumes

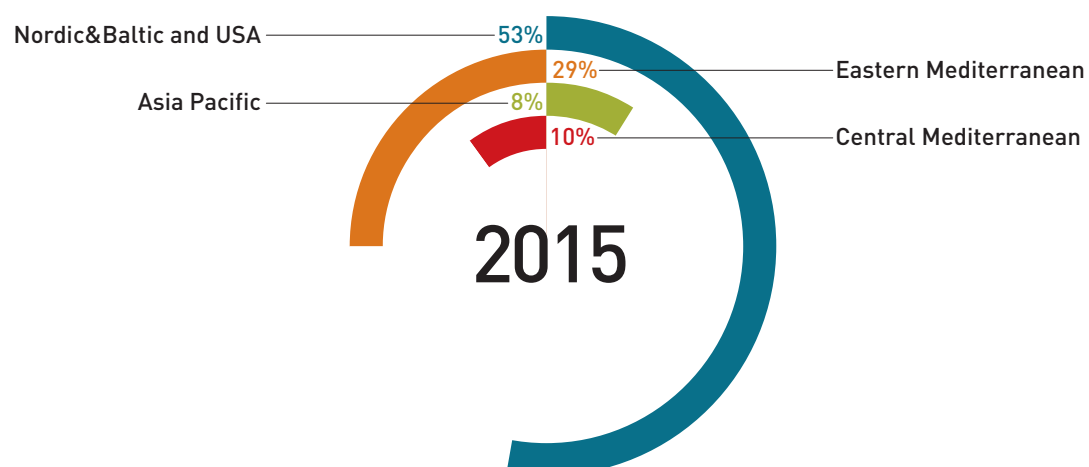
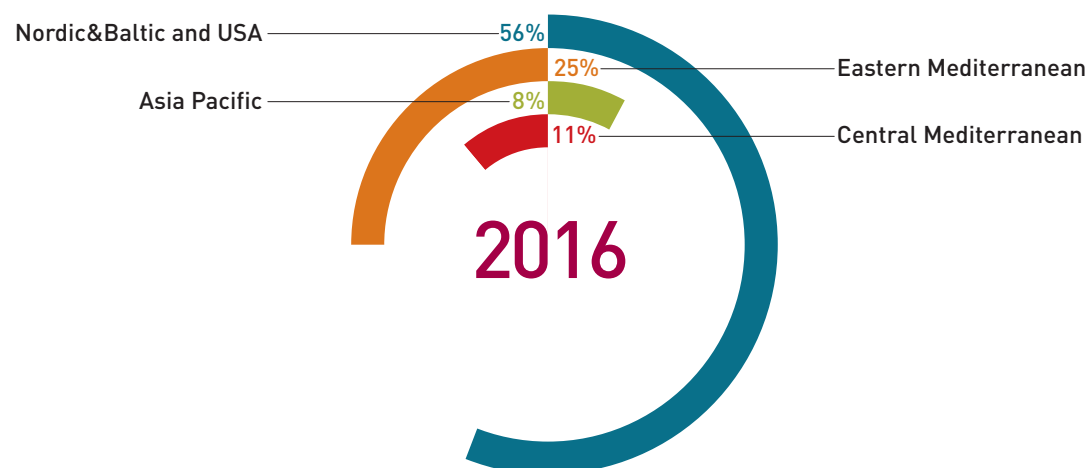
[000]	2016	2015	2014	2013	2012	2011	2010
Grey and white cement (metric tons)	10,110	9,368	9,560	9,737	9,833	10,468	10,013
Ready-mixed concrete (m ³)	4,420	3,749	3,495	3,736	3,580	3,843	3,185
Aggregates (t)	4,462	3,813	3,259	3,234	3,490	3,834	3,605

EBITDA performance

[EUR million]

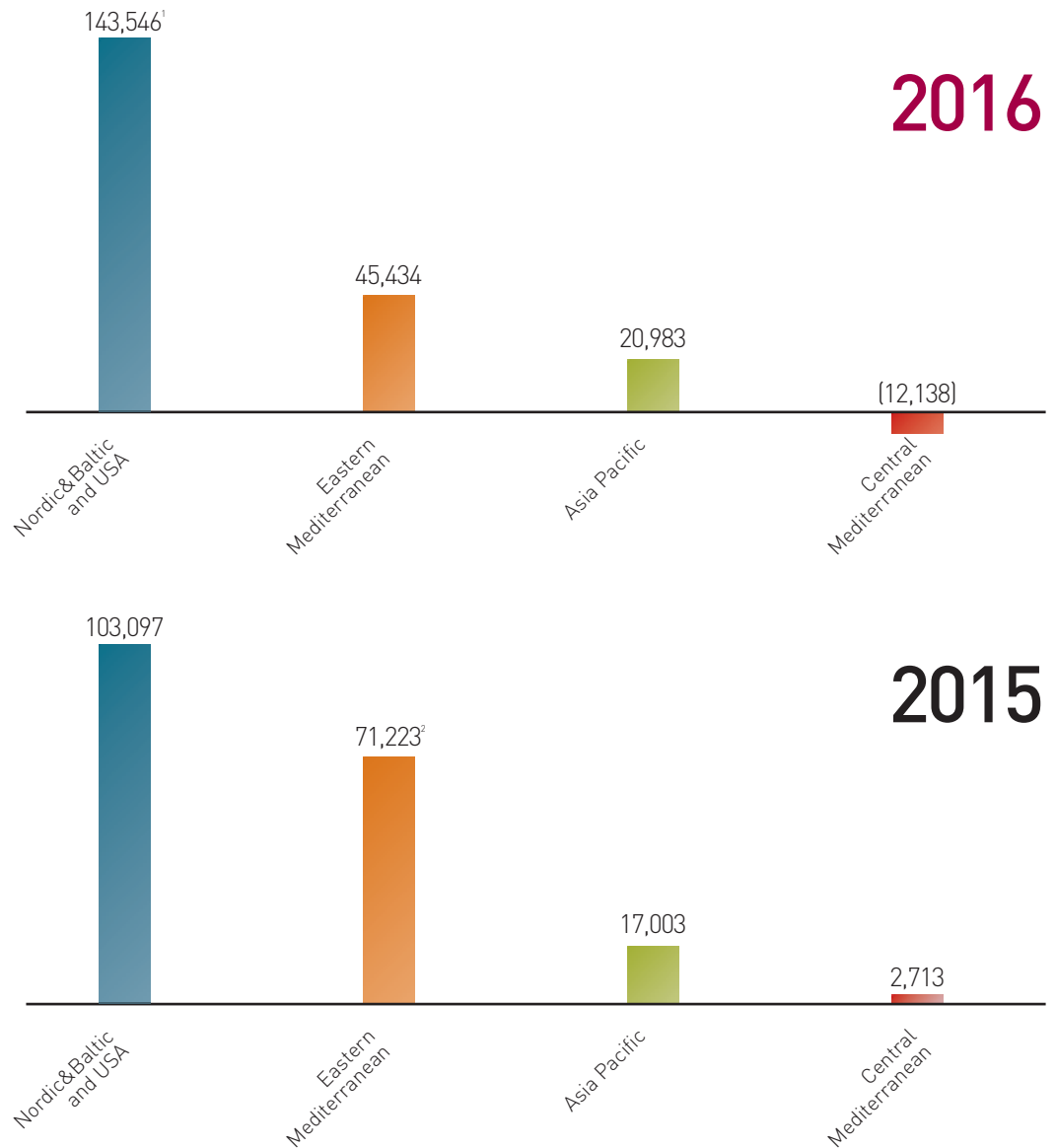


Revenue from sales and services by geographical segment



[EUR '000]	2016	2015	Change %
Nordic & Baltic and USA	586,151	518,139	13.1%
Eastern Mediterranean	260,162	284,683	-8.6%
Asia Pacific	80,887	77,468	4.4%
Central Mediterranean	112,582	101,932	10.4%
Eliminations	(12,204)	(13,182)	-
Total revenue from sales and services	1,027,578	969,040	6.0%

EBITDA by geographical segment

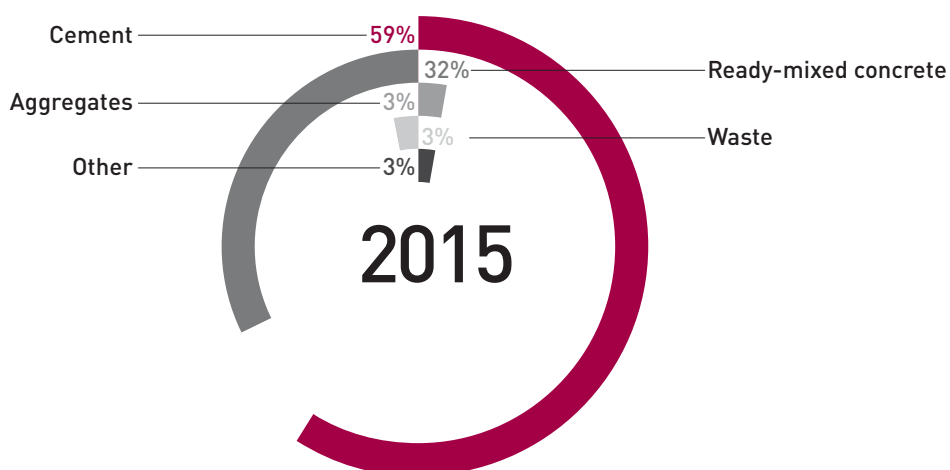
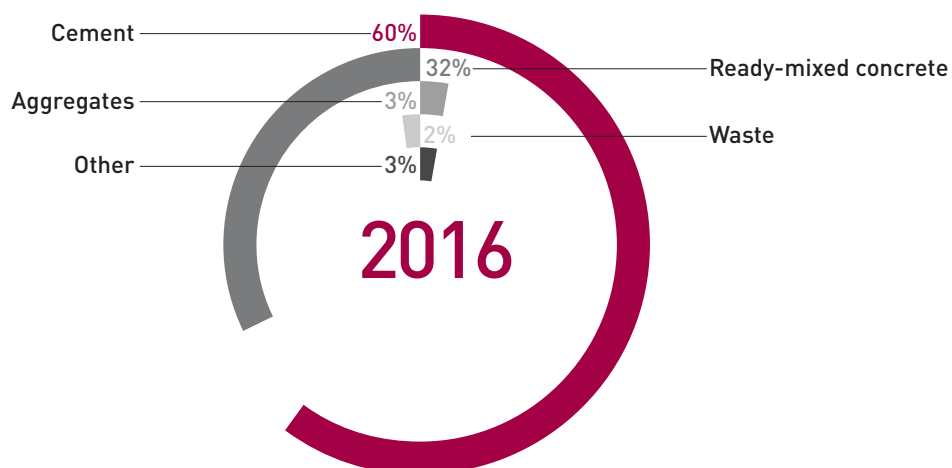


[EUR '000]	2016	2015	Change %
Nordic & Baltic and USA ¹	143,546	103,097	39.2%
Eastern Mediterranean ²	45,434	71,223	-36.2%
Asia Pacific	20,983	17,003	23.4%
Central Mediterranean	(12,138)	2,713	-547.4%
Total EBITDA	197,826	194,037	2.0%

¹Includes non-recurring revenue of EUR 15.1 million in 2016.

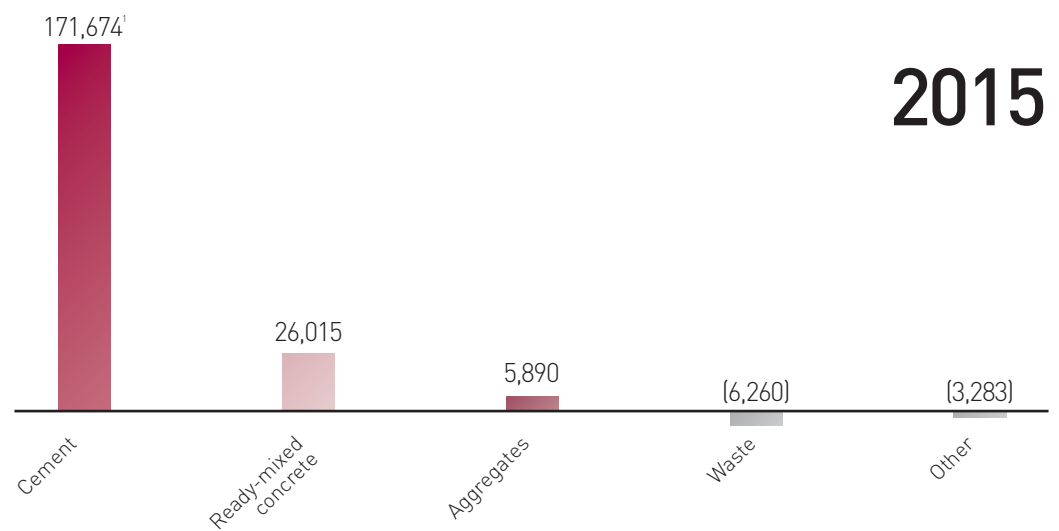
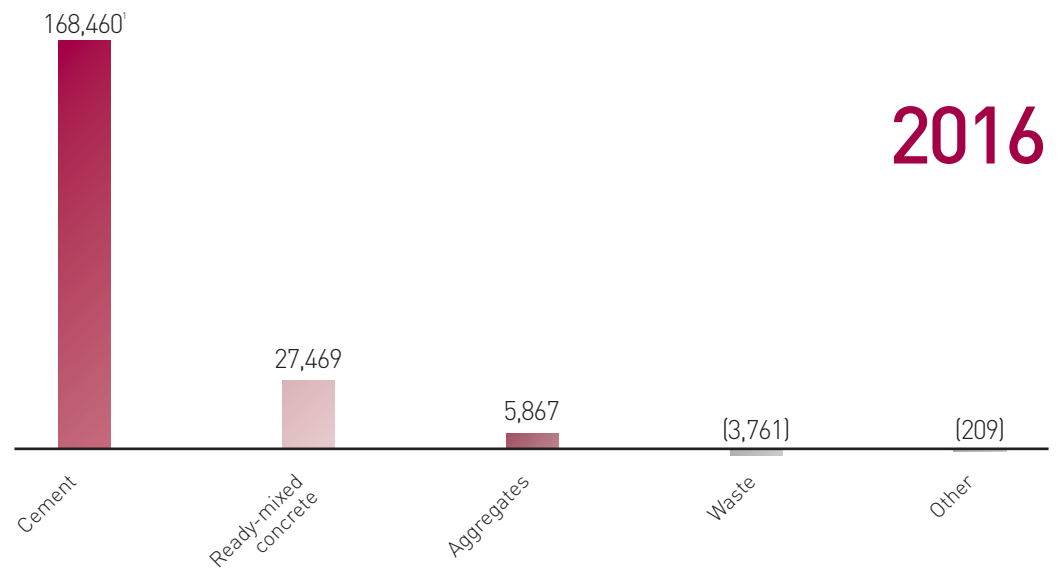
²Includes non-recurring revenue of around EUR 15 million in 2015.

Revenue from sales and services by business segment



[EUR '000]	2016	2015	Change %
Cement	669,326	622,808	7.5%
Ready-mixed concrete	361,520	337,483	7.1%
Aggregates	30,777	29,081	5.8%
Waste	25,356	27,309	-7.2%
Other	28,672	30,842	-7.0%
Eliminations	(88,074)	(78,484)	-
Total revenue from sales and services	1,027,578	969,040	6.0%

EBITDA by business segment



[EUR '000]	2016	2015	Change %
Cement ¹	168,460	171,674	-1.9%
Ready-mixed concrete	27,469	26,015	5.6%
Aggregates	5,867	5,890	-0.4%
Waste	(3,761)	(6,260)	39.9%
Other	(209)	(3,283)	93.6%
Total EBITDA	197,826	194,037	2.0%

¹Includes non-recurring revenue of EUR 15.1 million in 2016 and around EUR 15 million in 2015.

Corporate social responsibility

In a period of profound changes that have a direct effect on our business, the continuous growth of the world's urban population lead us to rethink how we live together in cities, and requires our industry to do some extra work. On the one hand, we must respond to the rising demand for cement, while on the other, we must do so while showing ever-greater respect for the environment and the principles of sustainable development based around bringing together environmental, economic and social aspects.

The Paris climate conference 2016 concluded with a joint agreement signed by 195 Countries, which aims to limit global warming to 2°C – a target that is only achievable by reducing CO₂ emissions. The cement sector, that is currently responsible for 5% of global CO₂ emissions, must play its part through a series of necessary interventions. These include decreasing consumption of fossil fuels and replacing them with alternatives; limiting energy consumption in the production cycle; replacing non-renewable raw materials with recycled materials; and lastly producing cement with innovative combinations of raw materials that have a lower environmental impact.

The adoption of non-conventional fuels within the cement industries is an activity largely promoted by the European Union, that includes it among the *Best Available Technique* – BAT, considering the strong impact that the use of alternative fuels has against the waste of resource, and in favor of recovered energy and raw materials.

The Solid Recovered Fuel (SRF) is the final output deriving from the treatment of non-hazardous urban waste. The production and combustion of SRF, from a socio-economic point of view, are recognized as sustainable and convenient industrial activities, since they represent the next step of the urban waste sorting process. Moreover, the Cementir Group carefully focuses its attention on the environmental aspects related on its production processes, in order to reduce its impact on the ecosystem and on other interested areas. Accordingly to this approach, the Group is engaged in decreasing the application of non-renewable raw materials, while fostering the use of alternative raw materials, so called since they do not come from quarries but from other production processes.

The commitment of the Group in term of Corporate Social Responsibility led to define a new sustainability strategy, to be developed into four pillars:

- **In waste, we see resources: we promote a circular economy**
- **We respect the environment in all our operations**
- **We value our people**
- **We support our communities**

Inspired by this challenge, this year we present the first Sustainability Report of the Cementir Group, prepared according to the "Core Option" of the Global Reporting Initiative's international GRI-G4 guidelines. The document follows on from the environmental reports published since 2008, adding for the first time a transparent reporting that embraces and integrates the environmental dimension with the economic and social aspects.

Cementir Holding on the stock exchange

Key market data

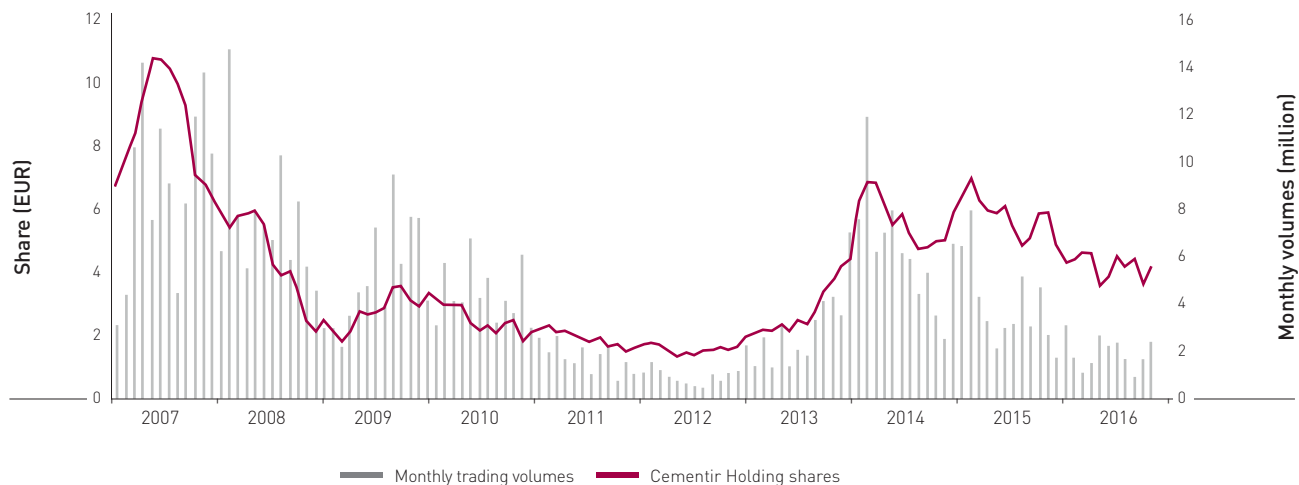
[EUR '000]	2016	2015	2014	2013	2012
Share capital at 31 December (EUR)	159,120,000	159,120,000	159,120,000	159,120,000	159,120,000
Number of ordinary shares	159,120,000	159,120,000	159,120,000	159,120,000	159,120,000
Earnings per share (EUR)	0.423	0.424	0.450	0.252	0.103
Dividend per share (EUR)	0.10	0.10	0.10	0.08	0.04
Pay-out ratio	23.7%	23.6%	22.2%	31.7%	38.7%
Dividend yield ¹	2.4%	1.7%	2.0%	1.9%	2.4%
Market capitalisation (EUR million) ¹	668.6	939.6	798.0	662.3	260.5
Share price (EUR)					
<i>Low</i>	3.30	4.68	4.05	1.67	1.23
<i>High</i>	5.92	7.12	7.49	4.20	1.88
<i>Year-end price</i>	4.20	5.91	5.02	4.16	1.64

¹ Figures are calculated on the basis of the year-end price.



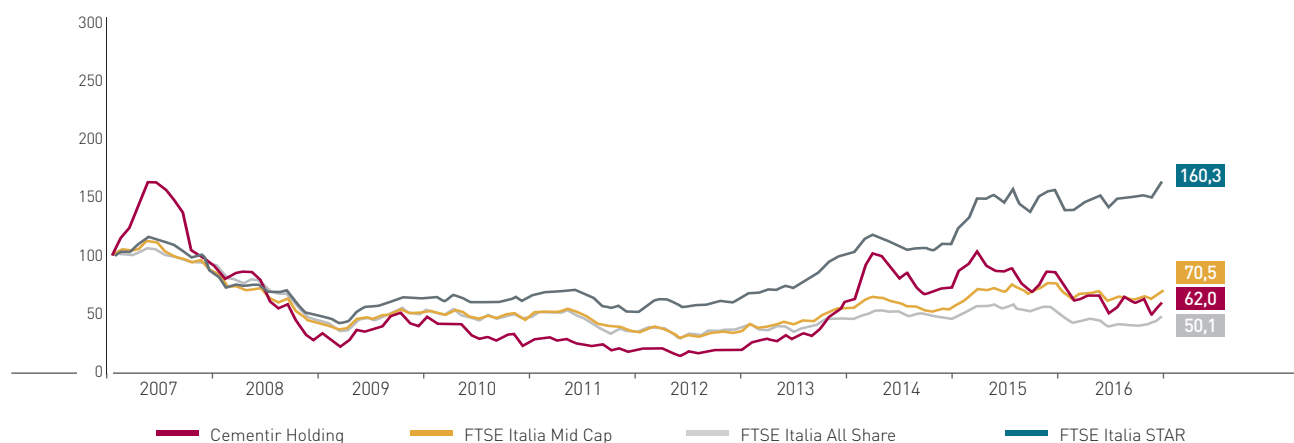
Performance of Cementir Holding shares

(31 December 2006 – 31 December 2016)



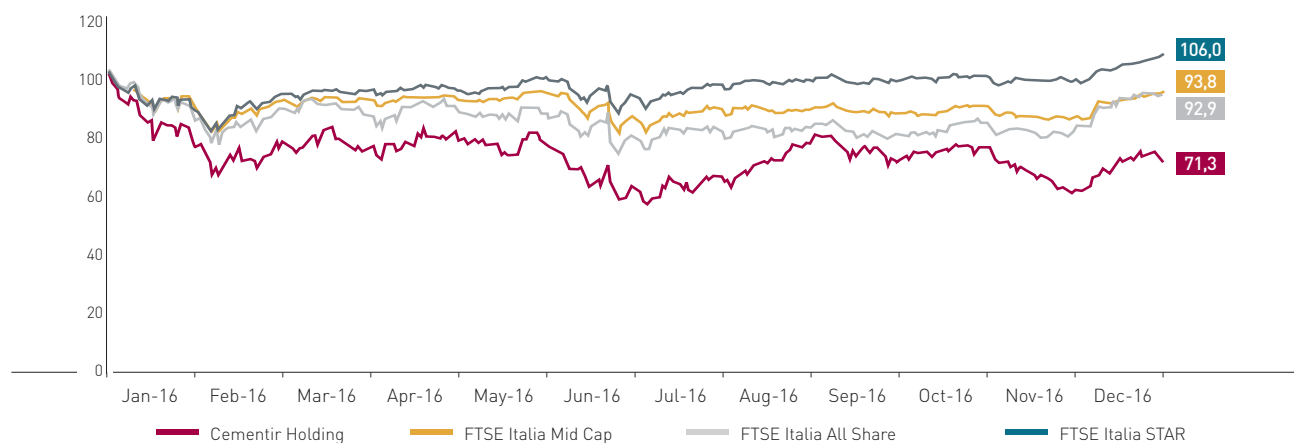
Performance of Cementir Holding shares versus FTSE Italia Mid Cap, FTSE Italia All Share and FTSE Italia STAR indexes

(base 31 December 2006 = 100)



Performance of Cementir Holding shares versus FTSE Italia Mid Cap, FTSE Italia All Share and FTSE Italia STAR indexes

(base 4 January 2016 = 100)



Company officers

Board of Directors for the period 2015–2017

<i>Chairman</i>	Francesco Caltagirone Jr.
<i>Deputy Chairman</i>	Carlo Carlevaris ¹ <i>(independent)</i>
<i>Directors</i>	Alessandro Caltagirone Azzurra Caltagirone Edoardo Caltagirone Saverio Caltagirone Mario Ciliberto Fabio Corsico Mario Delfini Veronica De Romanis <i>(independent)</i> Paolo Di Benedetto ² <i>(independent)</i> Chiara Mancini <i>(independent)</i> Riccardo Nicolini

Comitato Esecutivo

<i>Chairman</i>	Francesco Caltagirone Jr.
<i>Members</i>	Mario Delfini Riccardo Nicolini

Control and Risks Committee

<i>Chairman</i>	Paolo Di Benedetto ² <i>(independent)</i>
<i>Members</i>	Veronica De Romanis <i>(independent)</i> Chiara Mancini <i>(independent)</i>

Appointment and Remuneration Committee

<i>Chairman</i>	Paolo Di Benedetto ² <i>(independent)</i>
<i>Members</i>	Veronica De Romanis Chiara Mancini <i>(independent)</i> Mario Delfini

Board of Statutory Auditors for the period 2014–2016

<i>Chairman</i>	Claudio Bianchi
<i>Statutory auditors</i>	Giampiero Tasco <i>(standing)</i> Maria Assunta Coluccia <i>(standing)</i> Vincenzo Sportelli <i>(alternate)</i> Patrizia Amoretti <i>(alternate)</i> Stefano Giannuli <i>(alternate)</i>

Manager responsible for financial reporting

Massimo Sala

Independent auditors for the period 2012–2020

KPMG S.p.A.

¹ Director only fulfils the independence requirements set out in Article 148, paragraph 3 of Legislative Decree 58 of 24 February 1998, as amended.

² 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 2017 at 11.30 a.m., to resolve upon the following:

AGENDA

Ordinary Session

1. Financial statements as of 31 December 2016. Reports of the Board of Directors, the Board of Statutory Auditors and the Independent Auditors. Allocation of the net result for the year. Related resolutions. Presentation of the Group's consolidated financial statements at 31 December 2016.

Extraordinary Session

1. Non-reconstitution proposal, pursuant to Art. 13, Section 2 of Law 342/2000, of the revaluation reserve as per Law no. 266/2005, partially used to cover the loss incurred in 2016. Related and consequent resolutions.

Ordinary Session

2. Motion to the distribution of a dividend. Related and consequent resolutions.
3. Appointment of the Board of Auditors for the period 2017 - 2019 and its Chairman; determination of the related remuneration. Related and consequent resolutions.
4. Appointment of a Board member. Related and consequent resolutions.
5. 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 (6 April 2017 - 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 (12 April 2017). 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, may be granted using the proxy form available on the Company's website 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 n. 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.

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 in pursuance of 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, setting out how to communicate the proxies to the Company by the end of two trading days before the date of the Shareholders' Meeting (13 April 2017). 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 2017), 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 n. 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.

Additions cannot be made for items that the Shareholder's Meeting is called upon to decide, in pursuance of 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 2017), 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 n. 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 Statutory Auditors

Pursuant to Article 15 of the bylaws, the members of the Board of Statutory Auditors, which will consist of three regular Auditors and three alternate Auditors, are elected by the Shareholders' Meeting on the basis of the slates presented by the Shareholders. Only those shareholders who, severally or jointly with other shareholders, represent at least 2% of the share capital are entitled to submit slates.

The slates are to be divided into two sections, one for the candidates for the office of regular Auditor and the other one for the candidates for the office of alternate Auditor. The candidates must be numbered progressively and their number must not exceed that of the members of the body to be elected.

The first candidate in each section must be picked from among the statutory auditors (revisori legali) listed in the appropriate registry referred to by Article 2397 of the Italian Civil Code.

Each slate for the appointment of standing auditors and alternate auditors shall contain a number of candidates belonging to the gender with fewer members so as to ensure a balance between both genders to the extent required by applicable laws and regulations.

Therefore, the slates which, considering both sections, contain a number of candidates equal to or above three shall also include, both in the first two places of the section of the slate relating to the regular Statutory Auditors, and in the first two places of the section of the slate relating to the alternate Statutory Auditors, candidates belonging to different genders.

The slates shall be filed at the Company's registered office, delivering relative documents by hand (in Corso di Francia n. 200 – 00191 Rome, Mondays to Fridays, from 9:00 hours to 17:00 hours – Saturday by 9.00 AM to 12.00 PM) or by fax, to the number +39 0632493324 or by certified email to legale@pec.cementirholding.it no later than the twenty-fifth day before the date of the Shareholders' Meeting (25 March 2017).

Documents required by applicable laws shall be filed with each slate, including:

- (i) information on the identity of the Shareholders presenting slates along with a copy of their ID, and information about the percentage of their overall investment held;
- (ii) 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 and;
- (iii) 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.

Pursuant to Article 2400, last paragraph, of the Italian Civil Code, on nomination and before accepting the appointment, the administration and control positions held by Auditors with other companies shall be notified to the Shareholders' Meeting. The curricula vitae filled at the registered office shall therefore include this information, and be updated up until the day of the appointment made by the Shareholders' Meeting.

Shareholders presenting slates shall prove that they hold the number of shares required, submitting documents issued by an intermediary authorised in compliance with applicable legislation, concerning shares that are registered in their name on the day when the slates are filed with the Company. When not available at the time the slates are filed, these documents shall be received by the Company no later than twenty-one days before the date of the Shareholders' Meeting, (i.e. 29 March 2017, which is the date when the slates are disclosed to the public).

If only one slate has been filed or if only slates by Shareholders which are in relationship among them pursuant to Article 144-quinquies of the Issuers' Regulation have been filed by the deadline indicated hereinabove (25 March 2017), additional slates may be submitted until the third day after that date (28 March 2017), and in this case, the threshold of share capital necessary to submit the slates is reduced by one-half (1%).

The slates which do not meet the above requirements shall be treated as not submitted.

Additional information 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 by the terms and means set by law.

Appointment of a Board Director

The appointment of a Board Director for integrating the current Board of Directors, the Shareholders' Meeting will decide with the legal majority (without applying the slate vote). Shareholders are therefore invited to submit proposals for candidates for the appointment of the Director.

Additional information 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 by the terms and means set by law.

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 and on the authorized storage device eMarket STORAGE available at 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, on the authorized storage device eMarket STORAGE available at www.emarketstorage.com and in abstract on the "Il Messaggero" newspaper on 10 March 2017

Rome, 9 March 2017

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



2 DIRECTORS' REPORT

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DIRECTORS' REPORT

GROUP PERFORMANCE

Introduction

This Directors' Report refers to the separate and consolidated financial statements of the Cementir Holding Group as at 31 December 2016. 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 statements as at 31 December 2016. The consolidated financial statements of the Cementir Holding Group as at 31 December 2016 have been

prepared in accordance with Consob Regulation No. 11971/1999, as subsequently amended.

The comparison of the 2016 results with those of 2015 is heavily affected by the impacts of the acquisitions made during 2016, which resulted in the change in the scope of consolidation of the group, which took place in 2016. In particular:

- on 25 October 2016, Aalborg Portland Holding A/S – indirectly 100% controlled by Cementir Holding – finalised the acquisition of 100% of the share capital of Compagnie des Ciments Belges S.A. (CCB) from Ciments Français, a subsidiary of HeidelbergCement.
- on 29 July 2016, Cementir Italia SpA finalised the acquisition of the cement and ready-mixed concrete business division of the company Sacci SpA. Cementir Italia made the acquisition via its wholly-owned subsidiary Cementir Sacci.

For further details see note 31 to the consolidated financial statements.



Group performance

The consolidated income statement for the year 2016 is reported below, with comparative 2015 figures including on a like-for-like basis.

Earnings

[EUR'000]	Like-for-like basis				
	2016	2015	Change %	2016	Change %
REVENUE FROM SALES AND SERVICES	1,027,578	969,040	6.0%	967,069	-0.2%
Change in inventories	3,263	(5,627)	-158.0%	1,954	-134.7%
Other revenue ¹	37,558	31,948	17.6%	17,539	-45.1%
TOTAL OPERATING REVENUE	1,068,399	995,361	7.3%	986,562	-0.9%
Raw materials costs	(432,711)	(409,743)	5.6%	(407,874)	-0.5%
Personnel costs	(166,986)	(149,714)	11.5%	(153,014)	2.2%
Other operating costs	(270,876)	(241,868)	12.0%	(248,670)	2.8%
TOTAL OPERATING COSTS	(870,573)	(801,325)	8.6%	(809,558)	1.0%
EBITDA	197,826	194,036	2.0%	177,004	-8.8%
<i>EBITDA Margin %</i>	<i>19.25%</i>	<i>20.02%</i>		<i>18.30%</i>	
Amortisation, depreciation, impairment losses and provisions	(103,167)	(96,391)	7.0%	(95,300)	-1.1%
EBIT	94,659	97,645	-3.1%	81,704	-16.3%
<i>EBIT Margin %</i>	<i>9.21%</i>	<i>10.08%</i>		<i>8.45%</i>	
NET FINANCIAL INCOME (EXPENSE)	23,936	3,998		24,063	
PROFIT (LOSS) BEFORE TAXES	118,595	101,643	16.7%	105,767	4.1%
<i>PROFIT (LOSS) BEFORE TAXES / REVENUES %</i>	<i>11.54%</i>	<i>10.49%</i>		<i>10.94%</i>	
Income taxes	(33,246)	(26,542)	25.3%	(30,926)	16.5%
PROFIT (LOSS) FOR THE YEAR	85,349	75,101	13.6%	74,841	-0.3%
Attributable to:					
NON-CONTROLLING INTERESTS	18,079	7,624	137.1%	18,079	

Sales volumes

['000]	Like-for-like basis				
	2016	2015	Change %	2016	Change %
Grey and white cement (metric tons)	10,110	9,368	+7.9%	9,494	+1.3%
Ready-mixed concrete (m ³)	4,420	3,749	+17.9%	4,261	+13.7%
Aggregates (metric tons)	4,462	3,813	+17.0%	3,598	-5.6%

Revenue from sales and services amounted to EUR 1027.6 million (+6.0% compared to EUR 969.0 million in 2015); EBITDA totalled EUR 197.8 million (+2.0% compared to EUR 194.0 in 2015); EBIT totalled EUR 94.7 million (-3.1% compared to EUR 97.6 million in 2015); and profit attributable to the owners of the parent amounted to EUR 67.3 million (-0.3% compared to EUR 67.5 million in 2015).

¹ "Other revenue" includes the income statement captions "Increase for internal work" and "Other operating revenue".

Sales volumes of cement and clinker, equal to 10.1 million tons, increased 7.9% with like-for-like growth of 1.3% driven by strong performance in Denmark and China.

Sales volumes of ready-mixed concrete, equal to 4.4 million cubic metres, were up 17.9%; on like-for-like basis the increase in volume was 13.7%, driven by Turkey and Scandinavian countries.

In the aggregates sector, sales volumes were up by around 17% thanks in particular to the contribution of CCB.

Revenue from sales and services was EUR 1,027.6 million, up 6.0% compared to EUR 969 million in 2015 due to the change in the scope of consolidation, which resulted in an increase in revenue of about EUR 60.5 million. Specifically, the revenue of Cementir Sacci, included in the scope of consolidation as of 29 July 2016, amounted to EUR 21.8 million, while the revenue of the Compagnie des Ciments Belges group, included in the scope of consolidation as of 25 October 2016, amounted to EUR 38.7 million.

On a like-for-like basis, revenue was essentially stable on 2015, even though exchange-rate movements had negative effects on revenue in 2016. The strong performance of operations in Scandinavian countries, with an increase in sales volumes of both cement and ready-mixed concrete, and in Malaysia (above all in export markets) offset the decrease in Italy, where cement sales volumes fell, and the fall in revenue expressed in euros in Egypt, Turkey and China, where revenue in local currency actually increased.

The impact on revenue of the depreciation of the major foreign currencies compared to the euro was a negative at EUR 46.8 million. At constant exchange rates, revenue would have amounted to EUR 1,074.4 million, an increase of 10.9% on the previous year.

Operating costs, amounting to EUR 870.6 million, were up by EUR 69.2 million on 2015, deriving mainly from the change in the scope of consolidation (EUR 61.0 million).

The **cost of raw materials** was EUR 432.7 million (EUR 409.7 million in 2015), up due to the change

in the scope of consolidation (EUR 24.8 million). On a like-for-like basis, the cost of raw materials fell slightly (-0.5%) thanks to a positive exchange rate effect of EUR 23.3 million and lower purchase costs for fuel and electricity, in particular in Denmark, Malaysia and Italy, which more than offset the increase in costs deriving from higher production volumes of cement in Denmark, China and Malaysia and of ready-mixed concrete in Turkey and Norway.

Personnel costs were EUR 167.0 million, up by EUR 17.3 million mainly because of the change in the scope of consolidation (EUR 14.0 million) and personnel restructuring costs of EUR 1.9 million. On like-for-like basis the increase was 2.2%, benefitting from positive exchange rate effects worth EUR 4.8 million mainly deriving from inflation connected to personnel costs in high-inflation countries.

Other operating costs amounted to EUR 270.9 million, up 12.0% compared to the previous year. On like-for-like basis the increase was 2.8%, benefitting EUR 10.4 million due to positive exchange rate effects.

EBITDA was EUR 197.8 million, up 2.0% on EUR 194.0 million in 2015. The acquisitions had an impact of EUR 20.8 million on EBITDA: in particular, the operations of the Belgian group CCB contributed EUR 8.6 million, Cementir Sacci posted negative EBITDA of EUR 3.0 million, and 15.1 million came from non-recurring income linked to the negative difference (badwill) between the acquisition price and the preliminary determined fair value of purchased assets net of any liabilities.

It is also worth noting that the 2015 figure was also improved by non-recurring items worth EUR 15 million relating to the revaluation of non-core land in Turkey.

In addition to the above-mentioned effects arising from the change in the scope of consolidation and non-recurring items, EBITDA benefitted from good performance in Scandinavian countries and Malaysia thanks to lower fuel costs and production efficiencies, offsetting the fall in Italy and Turkey due to higher production costs connected to greater volumes.

The impact on EBITDA of the depreciation of the major foreign currencies compared to the euro was negative EUR 9.9 million, so at constant exchange rates EBITDA would have been EUR 207.7 million, up EUR 13.7 million on the previous year.

The EBITDA margin came to 19.3% (20.0% in 2015); on like-for-like basis the margin would have been 18.3%.

EBIT – net of amortisation, depreciation, impairment losses and provisions totalling EUR 103.2 million – amounted to EUR 94.7 million, down 3.1% compared to 2015 (EUR 97.6 million). The changes are attributable to non-recurring impairment losses of EUR 11 million, including EUR 3.6 million in losses on trade receivables and EUR 7.4 million in losses recognised in plant and equipment, provisions for personnel restructuring costs (EUR 4.8 million), and higher depreciation and amortisation attributable to the new assets acquired in Belgium and Italy.

The impact of the depreciation of the major foreign currencies compared to the euro was negative at EUR 5.2 million; at constant exchange rates EBIT would have been EUR 89.5 million.

Net financial income of EUR 23.9 million was an improvement of EUR 19.9 million compared to the previous year (net financial income of EUR 4.0 million), driven by exchange rate gains of EUR 32.3 million (EUR 2.6 million in 2015). Around EUR 30 million of exchange rate gains was accrued in the Egyptian subsidiary thanks to the liquidity the latter held in US dollars, as a result of the depreciation of the Egyptian pound. These effects were partly counterbalanced by the negative valuation of some financial derivatives hedging commodities, currencies and interest rates (expense of EUR 1.9 million compared to income of EUR 5.7 million in 2015) and also by higher borrowing costs (EUR 14.4 million compared to EUR 12.1 million in 2015) to finance acquisitions and to refinance existing credit facilities, which altered the Group's debt structure.

The share of net profits of equity-accounted investees was EUR 5.1 million, substantially stable on the previous year.

Profit before taxes totalled EUR 118.6 million (EUR 101.6 million in 2015), driven by net financial income and the contribution of the companies acquired in the second half of 2016, equal to around EUR 12.8 million.

Profit for the year totalled EUR 85.3 million, (EUR 75.1 million in 2015) after taxes amounting to EUR 33.2 million, up on the previous year (EUR 26.5 million).

Profit attributable to the owners of the parent, once non-controlling interests were accounted for, amounted to EUR 67.3 million (EUR 67.5 million in 2015). The increase in profit attributable to non-controlling interests (EUR 18.1 million compared to EUR 7.6 million in 2015) was mainly due to the increase in profits of the Egyptian company Sinai White Cement, of which the Group owns 57.14%.

Financial highlights

[EUR'000]	31.12.2016	31.12.2015
Net capital employed	1,622,741	1,353,192
Total Equity	1,060,303	1,131,105
Net financial debt ²	562,438	222,087

Net financial debt at 31 December 2016 was EUR 562.4 million, up EUR 340.4 million compared to 31 December 2015. The increase in debt was entirely attributable to outlays for acquisitions in the period, equal to approximately EUR 435 million. Excluding the effects of these acquisitions, Group net financial debt totalled around EUR 162 million, an improvement of EUR 60 million compared to the end of 2015, driven by positive cash flow from operating activities, less EUR 71.8 million in investments in property, plant and equipment and intangible assets (EUR 61.3 million in 2015) and dividend payments totalling EUR 15.9 million (unchanged on the previous year end).

Total equity at 31 December 2016 amounted to EUR 1,060.3 million (EUR 1,131.1 million at 31 December 2015).

² 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.

Financial indicators

Key performance and financial indicators for Cementir Holding Group are reported in the table below.

Performance indicators	2016	2015
Return on Equity (*)	8,05%	6,64%
Return on Capital Employed (*)	5.83%	7.22%

* Profit/Equity

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

Financial indicators	2016	2015
Equity ratio (*)	43.54%	61.16%
Net Gearing Ratio (*)	53.05%	19.63%

* Equity/Total assets

** Net financial debt/Equity

The financial indicators show the increase in net financial debt of the Group due to the acquisitions during the year.

KEY EVENTS OF THE YEAR

In 2016, strong performance in the Scandinavian countries and Malaysia substantially offset lower earnings in Turkey, Egypt and Italy. Also, Group results have been negatively affected by the depreciation of the Turkish lira and, since the Brexit vote, the British pound, together with the fall in the value of the Egyptian pound and ongoing geopolitical events in Turkey and Egypt.

The cash flow generated by operations and control of working capital allowed the Group to end the year with net financial debt of EUR 562.4 million, which was better than forecast.

In July, Aalborg Portland Holding A/S – indirectly 100% controlled by Cementir Holding – entered into an agreement with Ciments Français SAS, a subsidiary of Italcementi and part of HeidelbergCement, to acquire 100% of the share capital of **Compagnie des Ciments Belges S.A.** (CCB). The enterprise value of the transaction was EUR 312 million on a cash and debt-free basis and the acquisition was finalised on 25 October 2016 after a number of conditions precedent had been met.

The CCB Group is a vertically integrated group with operations in the cement, aggregates and ready-mixed concrete sector. It has the largest cement factory in France and Benelux, equipped with cutting-edge technology and over 80 years of limestone reserves.

The acquisition offers a strategic opportunity to diversify the Group's geographical presence in the heart of western Europe, with high-quality assets and a vertically integrated business, and also to increase exposure to the aggregates sector.

On 25 July, Cementir Italia SpA – through the wholly owned subsidiary Cementir Sacci – signed the agreement to acquire the cement and ready-mixed concrete business division of the company **Sacci SpA**. The price for the acquisition of the business division was EUR 125 million and included an initial component of EUR 122.5 million paid upon closing – when the business division was transferred – and a deferred component of EUR 2.5 million which will be paid 24 months after the closing.

The purchase agreement entailed a price adjustment mechanism linked to the change in the value of some balance sheet items between the date of formulation of the initial offer and the closing date. At the end of the price adjustment procedure, the final purchase price of the Sacci Spa business unit amounted to EUR 116.1 million.

The business division acquired by Sacci SpA is active in Italy in the production of cement and ready-mixed concrete and is the fifth-largest Italian operator in the sector. The business division includes three cement production facilities in central and northern Italy (Testi-Greve in Chianti, Cagnano Amiterno and Tavernola Bergamasca), two idle cement facilities (Castelraimondo and Livorno), three distribution terminals in Manfredonia, Ravenna and Vasto, ready-mixed concrete plants mainly located in central Italy, the transport service, and the equity interests in the consortium companies Energy for Growth and San Paolo, and in the Swiss-registered company Fenicem SA.

On 21 October Cementir Holding SpA signed a **financing contract** for a maximum of EUR 795 million with a pool of leading banks to fund the acquisitions of CCB and the business division of

Sacci, to refinance existing credit facilities, and to meet the Group's future working capital requirements.

The financing contract comprises three distinct lines of credit: bridge financing for EUR 330 million, a term loan for EUR 315 million, and a revolving facility for up to EUR 150 million. For further details see note 17 to the consolidated financial statements.

PERFORMANCE BY GEOGRAPHICAL SEGMENT³

Introduction

As of 1 January 2016, the Group's operations are organised on a regional basis and grouped into

four regions representing the following geographical segments: Nordic & Baltic and USA, Eastern Mediterranean, Central Mediterranean (Italy), and Asia Pacific. The Nordic & Baltic and USA area includes Denmark 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.

2015 figures have been reclassified accordingly to make them comparable with the 2016 results.

Nordic & Baltic and USA

[EUR'000]

	2016	2015	Change %
Revenue from sales	586,151	518,139	13.1%
EBITDA	143,546	103,097	39.2%
EBITDA Margin %	24.5%	19.9%	
Investments	41.6	22.8	82.5%

In the Nordic & Baltic and USA area, the Group recorded **revenue from sales** of EUR 586.2 million (EUR 518.1 million in 2015) and EBITDA of EUR 143.5 million (EUR 103.1 million in 2015).

Revenue in the Nordic & Baltic and USA area was EUR 586.2 million, up by EUR 68 million (+13.1%) compared to the previous year, due both to the consolidation of the Belgian business in the last two months of the year (EUR 38.7 million) and higher sales of cement and ready-mixed concrete in Denmark and of ready-mixed concrete in Norway and Sweden.

In **Denmark**, revenue from sales increased by EUR 23.8 million (+7.5%) compared to 2015 as a result of a significant increase in sales volumes of grey and white cement on the domestic market (+9.5% compared to 2015) with average sales prices essentially stable and a slight decrease in sales volumes of ready-mixed

concrete (-1.3%) with prices slightly up. The construction business saw strong performance in civil works and large-scale projects. Export sales volumes were up for white cement (+13.5%) due to exports to various countries (United States, United Kingdom, France, Germany, Poland and Finland) and for grey cement (+17%), especially to subsidiaries in Norway and Iceland.

In **Norway** there was an increase in revenue in local currency of 9.4% thanks to the significant recovery in construction activity, especially in the eastern regions of the country, with ready-mixed concrete sales volumes up 11% compared to 2015. The value of the Norwegian krone fell by around 3.8% compared to the average exchange rate of 2015, reducing the contribution of this revenue to the consolidated financial statements translated into euros.

³ The amounts shown in this paragraph are expressed net of intragroup transactions and reflect their contribution by geographical segment to the consolidated figures.

Also in **Sweden**, sales revenue in local currency increased 7.5% due to the increase in sales volumes of ready-mixed concrete (+16%), driven by the performance of the residential and infrastructure sector, especially in the south of Sweden, where the Group's subsidiaries have a greater presence, while sales of aggregates fell (-4.5%) due to fewer projects and orders.

In **Belgium**, the CCB group recorded revenue of EUR 38.7 million and EBITDA of EUR 8.8 million in the period October–December.

In the **United Kingdom**, waste management revenue fell by around 4.7% compared to 2015 despite higher volumes of processed waste (+8.5%) and were also affected by the depreciation of the British pound after the Brexit vote (-12.9% compared to the average exchange rate in 2015).

In the **United States**, the Group's subsidiaries reported a decrease in revenue from sales of concrete products and a simultaneous reduction in production costs, which helped to slightly improve the profitability of the business.

EBITDA in the Nordic & Baltic and United States area was EUR 143.5 million, up 39.2% on EUR 103.1 million in 2015. The increase was mainly attributable to higher revenue from sales in Denmark, along with lower variable production costs and higher

maintenance costs, the consolidation of the Belgian business (EUR 8.8 million) and non-recurring income connected to the assets acquired in Belgium (EUR 15.1 million).

In the area **investments** totalled EUR 41.6 million, of which EUR 23.7 million in the cement sector in Denmark – mainly to adapt and upgrade kilns and mills for the construction of a new terminal in France – and EUR 11.2 million in the ready-mixed concrete and aggregates sector in Denmark, Norway and Sweden, mainly connected to the construction of two new plants and extraordinary maintenance operations on production facilities and transport vehicles.

In Belgium, investments in the last two months of 2016 – when the Belgian Group CCB was included in the scope of consolidation – totalled EUR 4.7 million. These mainly related to the sole cement facility in Gaurain (EUR 3.6 million) and investments in the aggregates sector (EUR 0.6 million) and the ready-mixed concrete sector.

In the *waste management* sector in the United Kingdom, EUR 0.7 million was invested in the pre-shredder for Quercia's materials recovery facility (MRF).

Lastly, investments totalling EUR 1.3 million were made in the United States.

Eastern Mediterranean

[EUR'000]

	2016	2015	Change %
Revenue from sales	260,162	284,683	-8.6%
EBITDA	45,434	71,223	-36.2%
EBITDA Margin %	17.5%	25.0%	
Investments	16.5	30.9	-46.6%

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.

The Group recorded **revenue from sales** of EUR 260.2 million (EUR 284.7 million in 2015) and EBITDA of EUR 45.4 million (EUR 71.2 million in 2015).

In **Turkey**, revenue totalled EUR 214.9 million (EUR 229.5 million in 2015) and was affected by

depreciation of the Turkish lira against the euro (-10.5% compared to the average exchange rate in 2015). In fact, revenue in local currency increased by 3.7% compared to the previous year, driven mainly by higher sales quantities of cement and ready-mixed concrete (+5% and +27% compared to 2015) generated by the increase in internal demand in the regions of Izmir and Kars, despite unfavourable weather conditions in the first half of the year and the uncertain national political situation. Sales volumes in export markets fell significantly in order to satisfy demand on domestic markets. In local currency, cement prices fell slightly while in the ready-mixed concrete sector they increased 4.7%.

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 2015 due to the increase in volumes sent to landfill, volumes processed for the production of alternative fuel (RDF), greater supplies of alternative fuel to the Group's cement production facilities in Izmir and Edirne, and an increase in volumes received for temporary storage.

Hereko division, which processes Istanbul's solid urban waste, underwent a reorganisation including shift reductions in an effort to improve profitability, with diminishing volumes processed compared to 2015.

In **Egypt**, the Group revenue from sales of EUR 45.2 million (EUR 55.2 million in 2015) – a 12.3% decrease caused solely by the depreciation of the Egyptian pound against the euro (-30.1% compared to the average exchange rate in 2015). At the start of November 2016, the Egyptian Central Bank announced the decision to leave the Egyptian pound float freely.

In fact, revenue in local currency increased 6.7% despite lower sales volumes of white cement on the domestic market (-16%) due to a different product mix, focused more on higher added-value products and the increase of average sales prices in local

currency (+6%). Export volumes of white cement remained essentially stable, with dollar sales prices falling (-8%) in all major markets (Saudi Arabia, United States, Russia).

EBITDA in the Eastern Mediterranean area totalled EUR 45.4 million, down on EUR 71.2 million in 2015. The 2015 figure was improved by non-recurring items worth EUR 15 million relating to the revaluation of non-core land owned by Cimentas in Turkey.

In **Turkey**, EBITDA was EUR 32.1 million (EUR 59.8 million in 2015). Net of non-recurring items, the decrease was attributable mainly to the effect deriving from the depreciation of the Turkish lira and the fall in cement sales prices, partially offset by a reduction in fuel purchase prices.

In **Egypt**, on the other hand, EBITDA was EUR 13.4 million (EUR 11.4 million in 2015), up thanks to the reduction in variable costs deriving from the introduction to the production process of petroleum coke instead of fuel oil and the increase in sales prices – despite the negative effect of exchange rates.

Investments in the Eastern Mediterranean during 2016 totalled EUR 16.5 million, of which EUR 12.1 million in the cement sector, EUR 2.2 million in the ready-mixed concrete sector and EUR 2.2 million in the waste management sector.

Specifically, in the cement sector the investments in Turkey related both to maintenance of kilns and grinding mills, as well as initiatives to obtain greater production efficiencies through the use of alternative fuels. At the facility in Egypt, investments in 2016 totalled EUR 1.4 million, mainly relating to the completion of a major investment in the plant that enabled the use of petroleum coke as the main fuel source starting in 2016.

Investments in the ready-mixed concrete sector (EUR 2.2 million) mainly related to the purchase of a new concrete mixing plant in Özbek (EUR 850 thousand) and upgrading equipment to improve the production capacity of the plants.

Lastly, investments in the waste management sector amounted to around EUR 2.2 million.

Asia Pacific

[EUR'000]

	2016	2015	Change %
Revenue from sales	80,887	77,468	4.4%
EBITDA	20,983	17,003	23.4%
EBITDA Margin %	25.9%	21.9%	
Investments	2.3	2.1	9.5%

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.

In 2016 the Group earned **revenue from sales** of EUR 88.9 million, up 4.4% on EUR 77.5 million in the previous year.

EBITDA in the area was EUR 21.0 million, up 23.4% compared to EUR 17.0 million in 2015, mainly due to better results in Malaysia as the kiln for the production of white cement was in operation all year, after its expansion gradually came online in the first half of 2015.

In **China** the Group recorded revenue from sales of EUR 41.8 million (EUR 42.1 million in 2015) and EBITDA of EUR 10.5 million (EUR 10.3 million in 2015). The decrease in revenue was due to the depreciation of the Chinese yuan against the euro (-5.4% compared to the average exchange rate in 2015); in local currency, in fact, revenue from sales increased 4.5% compared to the previous year thanks to the significant increase in the volumes of white cement sold on the domestic market (+16%), which was offset by an unfavourable trend in prices and a fall in exports.

However, operating costs in local currency decreased by 0.4% compared to 2015, benefitting from the savings achieved on procurement of raw materials (especially fuel).

EBITDA of EUR 10.5 million (EUR 10.3 million in the prior year) marked an improvement, driven by the reduction in variable production costs, both as

regards fuel and electricity, as well as higher sales volumes that offset the fall in prices.

Investments in China in 2016 totalled approximately EUR 0.4 million, mainly related to the quarry.

In **Malaysia** the Group recorded revenue from sales of EUR 39.3 million (EUR 38.0 million in 2015) and EBITDA of EUR 10.4 million (EUR 6.7 million in 2015).

Revenue in local currency grew by 9.3% over the prior year, driven by a 2.8% increase in overall sales volumes of white cement and clinker, as well as an increase in average export prices, primarily to Australia. Export quantities were up around 4% mainly due to higher sales in Vietnam and South Korea – markets that were not exploited in 2015 due to lower production volumes while work was completed on expanding the production capacity of the plant.

Operating costs were down compared to 2015 due to the reduction of variable costs and the economies of scale achieved due to the full-capacity operation of the plant.

EBITDA rose by EUR 3.7 million over the previous year (+45.2%).

It is also worth noting that the Malaysian ringgit depreciated against the euro by 5.6% compared to the average exchange rate in 2015.

Investments in Malaysia in 2016 totalled approximately EUR 2 million, mainly relating to extraordinary maintenance and improvements to the efficiency of the plant, whose production capacity was expanded in 2015.

Central Mediterranean (Italy)

[EUR'000]

	2016	2015	Change %
Revenue from sales	112,582	101,932	10.4%
EBITDA	(12,138)	2,713	n.s.
EBITDA Margin %	-10.8%	2.7%	
Investments	11.5	5.5	108.1%

In the Central Mediterranean (Italy) area, the Group produces and sells cement and ready-mixed concrete. In 2016 the group recorded EUR 112.6 million in revenue from sales (EUR 101.9 million in 2015) and negative EBITDA of EUR 12.1 million (positive EUR 2.7 million in 2015), incorporating Cementir Sacci SpA from the third quarter of 2016 onwards.

Revenue from sales include EUR 21.8 million in revenue from Cementir Sacci. On a like-for-like basis, sales revenues would have been down by 14% due to the reduction in sales quantities of cement (-13.5%) at essentially stable average sales prices, partially offset by the positive trend in the ready-mixed concrete sector, which saw a 7% growth in volumes and slightly higher prices (+2.5%).

EBITDA was affected by the negative performance of the cement sector, higher plant maintenance costs and greater fixed costs. There were also around EUR 1.9 million in costs for personnel restructuring.

In the Central Mediterranean (Italy) area, **investments** totalled EUR 11.5 million in 2016.

The subsidiary Cementir Italia invested around EUR 6.4 million, of which EUR 5.4 million in incremental maintenance on cement production plants (for the bag filter at the Spoleto kiln and to cultivate the Maddaloni quarry) and around a million euros in the ready-mixed concrete sector, mainly for the new Moriassi plant.

In the last five months of 2016, the newly acquired Cementir Sacci made capital expenditures of EUR 0.5 million on three cement plants.

Finally, Cementir Holding made investments worth EUR 1.4 million, mainly in information technology.

INVESTMENTS

Investments totalling about EUR 71.8 million were made in 2016: EUR 50.1 million was invested in the cement business, EUR 13.8 million in the ready-mixed concrete business, EUR 2.3 million in the aggregates business, EUR 2.9 million in the waste management business, EUR 1.4 million in the IT systems of the holding company, and EUR 1.3 million in other activities.

The breakdown by asset class instead shows that EUR 66.6 million was invested in property, plant and equipment, while EUR 5.2 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 our 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 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 CO₂ 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 CO₂ 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.

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.

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

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 2016, the Group's maximum exposure to credit risk totalled EUR 236.5 million, consisting of the carrying amount of trade receivables recognised in the statement of financial position (EUR 174.1 million in 2015). The comparison between the year 2016 and 2015 is influenced by the trade receivables of Cementir Sacci and CCB, equal to EUR 22.8 million and EUR 46.5 million respectively. 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 2016 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 562.4 million as at 31 December 2016, it is exposed to the risk of fluctuation of interest rates. It carefully assesses

expected interest rates and timeframes for the repayment of debt by using estimated cash inflows and purchases interest rates swaps to partly cover the risk.

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 CO₂ 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 CO₂ 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 primary objective of Group Research and Development is to ensure the quality of the product meets client needs. An overall quality monitoring system was established in 2016. This allows technicians at the Research and Quality Centre to support the production sites in a much more efficient way than in the past. The system ensures that the

customer's needs are taken into account, as well as the ability of our production sites to set quality objectives.

The system involves all levels of the organisation. Strategies are defined at regional level, after which targets are set and the compositions of product portfolios are decided. Production units perform quality control and any necessary corrective actions.

Operational Excellence and Continuous Improvement

The Continuous Improvement remains in place, with the aim of generating better performance in the industrial, commercial and administrative processes at all of the Group's operating companies.

To achieve more effective management of the project portfolio we have focused on consolidating the skills acquired by staff who have already received training, rather than to provide training courses.

As a result, compared to last year the portfolio has been progressively streamlined by 46%, bringing an increased value per project of 42%, while the average running time of the 119 completed projects has been reduced by 33%.

The project portfolio continues to be planned, coordinated and monitored systematically by management using a single, specially developed global IT platform. Through a shared language and methodology, this continues to feed the process of multinational integration of culture and Operational Excellence.

IT SYSTEMS

In 2016, the Information Technology department underwent a change in its organisational structure and a review of its strategic plans, with a focus on integrating the acquisitions made during the year.

These activities resulted in major infrastructural changes at the acquisitions (especially their networks and servers) together with initial application

consolidations that have simplified legacy systems and hardware infrastructure.

In terms of IT applications to support management, the implementation of two core systems for the Group has been completed:

- the workforce automation system (Salesforce), which has now also been extended to Denmark and Malaysia;
- the financial reporting and consolidation system (HFM), whose implementation has also been extended to Denmark and the other Scandinavian countries.

In terms of infrastructure, major investments have been made to improve safety and performance.

A project has been launched that will lead the entire group to use the Microsoft Office 365 system; this system will allow the use of advanced communications features between groups working in different locations. As well as a revolutionary cloud-based approach to electronic communications, the system also includes the ability to use advanced communication tools such as Skype for Business, and sharing tools such as Sharepoint and Onedrive.

Networking infrastructures have also been reviewed (especially as regards WiFi and LAN). In the Business Intelligence area there have been improvements in reporting to support the business.

We have also begun implementing a group-wide model of the ERM system (SAP) in order to standardise processes between the various operating companies. This will lead in three years to the release of a single model for all group operating companies. This process also leads in to planning of future SAP implementations at the new acquisitions during 2016, which will have to be migrated from the current IT systems to the group SAP system. The preparatory and setup work has been mainly developed with staff that joined the Information Technology department during the second half of 2016.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety

The health and safety of employees is a primary commitment for the Group. To improve its performance in this area our Group uses continuous training – both on specific health and safety issues and on technical skills for the correct use of machinery – and makes ongoing investments in safety devices and machinery to maintain-high quality technology.

The Cementir Holding Group has adopted occupational health and safety management systems that comply with OHSAS 18001 to boost levels of workplace safety. As of 2016, 8 sites were certified to this standard, 5 in the cement sector and 3 in the waste treatment sector.

Environment

The Cementir Holding Group pursues sustainable development through continuous commitment to improving its environmental performance. In 2016, 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.

Sustainable development

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

As of 2016, 12 sites were certified to this standard, 9 in the cement sector and 3 in the waste treatment sector.

The Cementir Holding group sees environmental protection and sustainability as an essential component of its development. To increase its efforts

in this area, during 2016 the Group began work to define a sustainability strategy and to publish its first Sustainability Report. The document represents an evolution of the Environmental Report published by the Group over the past 9 years.

A scenario analysis was conducted to link strategic business objectives with sustainability issues, as well as an ISO 26000 analysis. This has enabled us to define the sustainability issues that are most important to the Group and its stakeholders and the levels of safeguards to implement in these areas. A materiality matrix was then prepared that shows a list of priorities for sustainability issues based on their importance to stakeholders and to the Cementir Holding group.

These analyses will be set out in the first Sustainability Report, which will be published in 2017.

HUMAN RESOURCES

At 31 December 2016, the Group had a workforce of 3,667 employees, 635 more than the 3,032 employees recorded at the end of 2015. The increase in the workforce is due to the acquisitions of Sacci and Compagnie des Ciments Belges, which have 303 and 457 employees, respectively.

The Cementir group continues to consolidate group structures, which operate in 17 countries and 5 continents, with a view to increasing human resource integration and securing organisational improvements. The current market scenario and the increasingly global context in which the Group operates demands timely, targeted decisions to respond to the various organisational, remunerative, development, labour-law and trade union requirements.

Organisation

In 2016, our Group consolidated the transformation process that is designed to build a strong organisational platform to support the business, enabling the

achievement of predetermined targets and the integration within the Group of the new acquisitions. This was achieved by strengthening our local structures, which beginning in January 2016 saw the consolidation of the existing Areas – in particular the Eastern Mediterranean Area, which includes the companies operating in Turkey and Egypt – and the establishment of the Central Mediterranean (Italy) Area, overseeing the companies operating in Italy.

Since the acquisitions, the new subsidiary Cementir Sacci has been incorporated into the new Central Mediterranean Area, while the integration process has begun of the Compagnie des Ciments Belges, which, at the end of the integration period will be incorporated into the Nordic & Baltic and USA Area.

The Group has also strengthened the holding company, further developing the “professional families” model and launching a transformation of the Corporate function, aimed at increasing integration and synergies between the different Group companies.

The standardisation of the Group’s processes and organisational structures, including through the adoption of an international job evaluation methodology and the launch of several process reengineering and organisational review processes, have also made it possible to manage current business effectively, complete the two acquisitions and begin the necessary process of integrating the new companies, assets and human resources.

Against this background, the Corporate Human Resources department has been strengthened and organised into Centres of Expertise to ensure the adoption of a new system of governance of the key Human Resources processes. This has helped to clarify roles and responsibilities within an organisational model based on a matrix (Corporate/Areas), to harmonise processes and functions, and to align group standards, methodologies and approaches by building models, systems, universal processes and decision support tools.

Development and Recruitment

External recruiting activities in 2016 were aimed at expanding Cementir Holding in order to respond to its new role and a number of organisational requirements relating to centralisation and/or staffing new central functions (e.g. IT, External Relations, Supply Chain). At the same time, we have worked on internal recruitment by using the job posting tool.

In the fourth quarter of 2016 we worked on preparing a Group Leadership Model. This is a single competency model for all businesses, which will act as the starting point for all staff assessment and development processes, beginning with the evaluation of potential and performance. The aim in general terms is to gradually increase the Enterprise Contribution, i.e. the virtuous interdependence of individual contributions and efforts with those of the relevant team, to help increase individual performance and overall company performance. The model is aimed at the entire company ("shared leadership") and is consistent with the Group's strategic objectives. After an internal and external validation process, in 2017 the Model will be used as suitable and released to the workforce.

In the same quarter, we designed the new group Talent Management system, which includes the process for identifying management talent (Talent ID), i.e. those people with the critical skills and competencies to achieve company objectives and who could be developed into managers or, if they are already managers, to take on more complex management roles (Leadership Pool). The process was launched at the end of the year and will be implemented in the first half of 2017, followed by a phase of preparing and implementing appropriate development programmes (Talent Development). Having a Talent Management system ensures continuity in the organisation of the business, ensuring coverage as time goes on of critical positions and building and developing a portfolio of successors.

Compensation

The trend on international markets, the economic scenario and the reorganisation of the HR department led us in 2016 to maintain a careful and focused approach to the definition of remuneration policies. In particular, variable incentive plans and retention systems – which continue to be carefully analysed and streamlined – are adopted according to the specific conditions of the relevant labour markets and current and prospective business dynamics gradually, as we gradually introduce a system to rationalise and standardise them across different countries.

As regards management incentive plans, we have continued to offer all management staff a Short-Term Incentive Plan connected to business and individual performance targets. We have also launched a pilot project for Corporate and Turkey, which is aimed at defining a single incentive process and approach.

Finally, at global level, during the second half of the year we adopted a single system for evaluating the content and "weighting" of organisational positions. This allowed us to ensure a consistent and universal approach to analysing remuneration, which in turn enabled us to define more precise salary strategies that are better suited to the specific conditions on the local reference markets.

Social Dialogue

The success of our company also depends on the ability to listen to and address the needs and expectations of our stakeholders, including employees and trade unions, with whom we maintain a continuous and structured dialogue, which we see as strategic and essential for the sustainable development of our business. Therefore, during the year, we held the third meeting of the European Works Council (EWC) of Cementir group at Rørdal's Danish factory in Aalborg. The EWC is the European-level supranational representative body for informing and consulting workers in EU-wide businesses.

OTHER INFORMATION

Alternative performance indicators

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 the indicators used 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 liabilities.

PERFORMANCE OF THE PARENT

The following table shows Cementir Holding SpA’s key financial statements figures at 31 December 2016:

Earnings

[EUR '000]

	2016	2015	Change %
REVENUE FROM SALES AND SERVICES	20,942	17,862	17.2%
Other revenue	1,151	1,044	10.2%
Personnel costs	(8,714)	(8,615)	1.1%
Other operating costs	(12,798)	(12,284)	4.2%
EBITDA	581	(1,993)	129.2%
Amortisation, depreciation, impairment losses and provisions	(1,143)	(860)	32.9%
EBIT	(561)	(2,853)	80.3%
Financial income	4,056	7,064	-42.6%
Financial expense	(11,411)	(6,407)	78.1%
NET FINANCIAL INCOME (EXPENSE)	(7,356)	657	-1,219.6%
PROFIT (LOSS) BEFORE TAXES	(7,917)	(2,196)	-260.5%
Income taxes	2,037	(1,318)	254.6%
PROFIT (LOSS) FOR THE YEAR	(5,881)	(3,514)	-67.4%

Revenue from sales and services was earned from consultancy services provided to subsidiaries and from royalties on their use of the trademark. The item increased by 17.2% in 2016 compared to 2015, partly due to new services performed by the logistics and external relations functions.

EBITDA was positive at EUR 0.6 million, an increase

over the previous year due to the aforementioned increase in revenue.

Amortisation and depreciation stood at EUR 1.1, up compared to the previous year (EUR 0.9 million in 2015) as a result of the development and upgrading of company software.

Net financial expense was EUR 7.4 million, a

deterioration on 2015 due to the negative valuation of the mark-to-market of financial derivatives and to financial costs for the syndicate loan agreement.

The loss for the year was EUR 5.9 million (loss of EUR 3.5 million in 2015) after the effects of deferred tax assets worth EUR 2.0 million.

The Company's net financial debt at 31 December 2016 amounted to EUR 397.0 million (EUR 86.7 million in 2015), a deterioration of EUR 483.7 million compared to the previous year. In particular, the drivers of the significant increase in the use of financial resources relate to the acquisitions carried out during the year. These included the increase in the share capital of the subsidiary (EUR 40 million)

and the share premium (EUR 90 million) of Cementir Italia SpA, as well as taking out bridge financing of EUR 330 million, in turn granted to the subsidiary Aalborg Portland Holding A/S to finance the acquisition of CCB. 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 67.3 million (as represented below).

[EUR '000]

	31.12.2016	31.12.2015
Current financial assets	259,687	224,723
Cash and cash equivalents	5,710	4,352
Current financial liabilities	(26,468)	(75,487)
Non-current financial liabilities	(635,927)	(66,890)
Net financial debt (as per CONSOB Communication)	(396,999)	86,698
Non-current financial assets	329,685	-
Total net financial debt	(67,314)	86,698

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 performance indicators are of limited relevance in giving a snapshot of the company's performance.

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

Financial indicators	2016	2015
Equity Ratio*	40.34%	73.06%

* 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 14 January 2016, the Administrative Court of Ankara appointed three experts and their findings are still pending. In the unlikely event that this 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 2016, 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. *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. It carefully assesses expected interest rates and timeframes for the repayment of debt by using estimated cash inflows and purchases interest rates swaps to partly cover the risk.

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.

During 2016 the company ICAL 2 SpA ("ICAL 2") granted a loan of EUR 125 million to Cementir Holding SpA at a total annual interest rate of 1.5% maturing on 28 February 2017, which was repaid early on 30 November 2016.

Under Consob Regulation No. 17221 of 12 March 2010, this loan is classed as a related party transaction due to the control exercised by FGC SpA over Cementir Holding and ICAL 2, and is also categorised as a "material transaction"; as such it was submitted on 11 July 2016 to the company's Committee of Independent Directors, which expressed a favourable opinion on Cementir Holding's interest in proceeding with the loan, as well as the convenience and substantive propriety of the conditions. The Board of Directors' meeting of 12 July 2016 subsequently approved the loan from ICAL 2.

The Group used the loan to fund the purchase on 29 July 2016 of the business division being sold by Sacci SpA.

On 30 November 2016, the Company repaid the loan in full to ICAL 2 through the cash deriving from the syndicated loan agreed for the acquisitions and the refinancing of existing credit facilities, as described previously.

TREASURY SHARES

At 31 December 2016, 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 2016 AND PROFIT (LOSS) FOR THE YEAR THEN ENDED WITH CONSOLIDATED EQUITY AND PROFIT (LOSS)

[EUR '000]	2016 Profit/loss	Equity at 31 December 2016
Cementir Holding SpA	(5,881)	481,170
Effect of consolidating subsidiaries	68,024	780,592
Effect of equity-accounted investees	5,127	40,487
Change in reserves	-	(308,202)
Other changes	-	(1,350)
Total owners of the parent	67,270	992,697
Total non-controlling interests	18,079	67,606
Cementir Holding Group	85,349	1,060,303

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.

At the meeting of 11 May 2016, the Board reappointed Massimo Sala, the Company's Chief Financial Officer, to serve again in 2016 as the manager responsible for preparing the Company's financial reports. In accordance with the current Corporate Governance Code for Listed Companies issued by Borsa Italiana SpA, 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.

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.

As of 1 January 2016, the position of General Manager no longer exists following a reorganisation of the Group. The Parent's organisational functions all currently report to the CEO.

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 2016 Report on

Operations. The Corporate Governance and Ownership Report is available on the corporate website www.cementirholding.it, in the section Investor Relations>Corporate Governance.

For information on Cementir Holding SpA's remuneration policy refer to the Report on Remuneration, which is available at the registered office and on the corporate website www.cementirholding.it and provides complete disclosure of remuneration policy. The report has been prepared in accordance with article 123-ter of Legislative Decree 58 of 24 February 1998 and discloses information about the Company's remuneration policy for directors and statutory auditors, fees paid to directors and statutory auditors and equity interests held by them.

Organisation and Control Model pursuant to Legislative Decree 231/2001

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

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

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

Management and coordination

Cementir Holding SpA is not managed or coordinated by another company, as it sets its general and operating strategies independently. Cementir Holding SpA's Board of Directors has sole responsibility for reviewing and approving 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 162.2 Legislative Decree 196/2003 (Data Protection Code), Article 45(c) of Decree-Law 5 of 9 February 2012 (the "Simplification Decree") removed the obligation to prepare a data protection statement (DPS) 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.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events to report.

BUSINESS OUTLOOK

In 2017 the Group will be working on consolidating and integrating its newly acquired staff and assets and organisations, as well as developing its core business.

The Group expects to record EBITDA of around EUR 215 million. This figure includes the contribution of the CCB group and Cementir Sacci, as well as higher like-for-like earnings.

These forecasts are based on conservative assumptions, especially as regards Turkey, where the geopolitical situation remains highly unstable, with possible repercussions also for the Turkish lira. In view of all the average exchange rates for 2016, the effect on the Group of the assumptions on exchange rates for 2017 can be quantified at a reduction in EBITDA of about EUR 15 million.

The Group expects to see higher sales volumes of cement (especially in Egypt, Scandinavia and Italy), ready-mixed concrete (in particular in Turkey, Scandinavia and Italy) and aggregates, driven mainly by the acquisition in Belgium, which has increased the Group's presence in the aggregates segment.

The Group also expects to achieve efficiencies on sales and fixed costs driven by the integration of the Italian companies (Cementir Italia and Cementir Sacci). These upsides are however mitigated by the higher costs of solid fuels and the negative effect of some exchange rates (especially the Turkish lira and the Egyptian pound).

Capital expenditure is forecast at approximately EUR 92 million, mainly allocated to extraordinary maintenance activities including the new acquisitions, and for the development of Group IT systems and environmental and safety projects.

Cash generation is expected to leave us with net financial debt of around EUR 530 million at the end of 2017.

PROPOSALS FOR THE ALLOCATION OF THE YEAR-END LOSS FOR 2016 OF CEMENTIR HOLDING SPA

The Board of Directors proposes that the shareholders:

At their ordinary meeting:

- approve the Board of Directors' report on the year 2016 and the financial statements as at 31 December 2016;
- carry forward the loss for the year of EUR 5,880,637, notwithstanding subsequent resolutions adopted during their extraordinary meeting.

At their extraordinary meeting

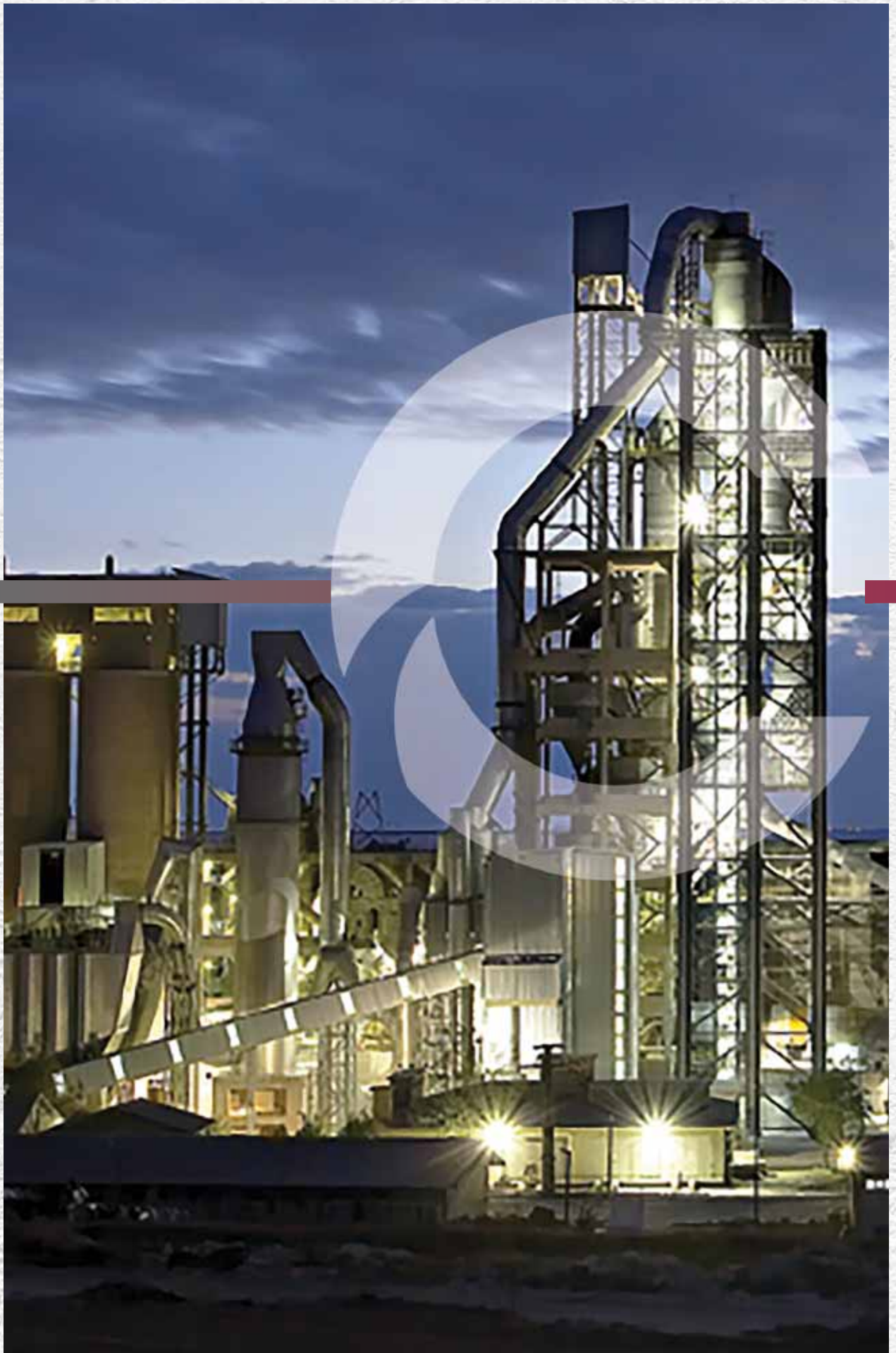
- cover the loss for the year of EUR 5,880,637 by drawing on the revaluation reserve as per Law No. 266/2005;
- do not replenish the revaluation reserve pursuant to Law 266/2005 and therefore permanently reduce it by the EUR 5,880,637 used to cover the loss.

At their ordinary meeting:

- grant shareholders dividends totalling EUR 15,912,000 at EUR 0.10 per ordinary share, by drawing on retained earnings.

Rome, 3 March 2017

Francesco Caltagirone Jr.
Chairman of the Board of Directors



3 CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated financial statements

Consolidated statement of financial position*

(EUR '000)	Note	31 December 2016	31 December 2015
ASSETS			
Intangible assets with a finite useful life	1	70,372	33,009
Intangible assets with an indefinite useful life	2	375,142	391,660
Property, plant and equipment	3	1,067,126	725,336
Investment property	4	98,823	116,145
Equity-accounted investments	5	22,893	23,430
Available-for-sale equity investments	6	571	207
Non-current financial assets	9	2,970	640
Deferred tax assets	20	73,274	63,006
Other non-current assets	11	11,075	11,026
TOTAL NON-CURRENT ASSETS		1,722,246	1,364,459
Inventories	7	163,822	139,954
Trade receivables	8	236,498	174,139
Current financial assets	9	3,491	6,192
Current tax assets	10	8,368	5,973
Other current assets	11	56,994	22,066
Cash and cash equivalents	12	244,025	136,768
TOTAL CURRENT ASSETS		713,198	485,092
TOTAL ASSETS		2,435,444	1,849,551
EQUITY AND LIABILITIES			
Share capital		159,120	159,120
Share premium reserve		35,710	35,710
Other reserves		730,597	786,363
Profit (loss) attributable to the owners of the parent		67,270	67,477
Equity attributable to the owners of the parent	13	992,697	1,048,670
Profit (loss) attributable to non-controlling interests		18,079	7,624
Reserves attributable to non-controlling interests		49,527	74,811
Equity attributable to non-controlling interests	13	67,606	82,435
TOTAL EQUITY		1,060,303	1,131,105
Employee benefits	14	41,520	17,815
Non-current provisions	15	24,617	17,036
Non-current financial liabilities	17	744,606	235,291
Deferred tax liabilities	20	146,262	71,750
Other non-current liabilities	19	10,084	8,672
TOTAL NON-CURRENT LIABILITIES		967,089	350,564
Current provisions	15	3,484	3,272
Trade payables	16	263,443	180,544
Current financial liabilities	17	65,349	129,756
Current tax liabilities	18	16,769	10,172
Other current liabilities	19	59,007	44,138
TOTAL CURRENT LIABILITIES		408,052	367,882
TOTAL LIABILITIES		1,375,141	718,446
TOTAL EQUITY AND LIABILITIES		2,435,444	1,849,551

*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.

Consolidated income statement*

(EUR '000)	Note	2016	2015
REVENUE	21	1,027,578	969,040
Change in inventories	7	3,263	(5,627)
Increase for internal work	22	8,031	6,014
Other operating revenue	22	29,527	25,934
TOTAL OPERATING REVENUE		1,068,399	995,361
Raw materials costs	23	(432,711)	(409,743)
Personnel costs	24	(166,986)	(149,714)
Other operating costs	25	(270,876)	(241,868)
TOTAL OPERATING COSTS		(870,573)	(801,325)
EBITDA		197,826	194,036
Amortisation and depreciation	26	(84,164)	(82,133)
Provisions	26	(7,994)	(2,647)
Impairment losses	26	(11,009)	(11,611)
Total amortisation, depreciation, impairment losses and provisions		(103,167)	(96,391)
EBIT		94,659	97,645
Share of net profits of equity-accounted investees	27	5,127	5,065
Financial income	27	3,446	9,533
Financial expense	27	(16,933)	(13,243)
Foreign exchange rate gains (losses)	27	32,296	2,643
Net financial income (expense)		18,809	(1,067)
NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEES		23,936	3,998
PROFIT (LOSS) BEFORE TAXES		118,595	101,643
Income taxes	28	(33,246)	(26,542)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		85,349	75,101
PROFIT (LOSS) FOR THE YEAR		85,349	75,101
Attributable to:			
Non-controlling interests		18,079	7,624
Owners of the parent		67,270	67,477
(EUR)			
Basic earnings per share	29	0.423	0.424
Diluted earnings per share	29	0.423	0.424

*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.

Consolidated statement of comprehensive income

(EUR '000)	Note	2016	2015
PROFIT (LOSS) FOR THE YEAR		85,349	75,101
OTHER COMPREHENSIVE INCOME (EXPENSE):			
Items that will never be reclassified to profit (loss):			
Actuarial gains (losses) on post-employment benefits	30	1,184	(754)
Taxes related to equity	30	(298)	163
Total items that will never be reclassified to profit (loss)		886	(591)
Items that may be reclassified to profit (loss):			
Foreign currency translation differences - foreign operations	30	(144,253)	(48,675)
Taxes related to equity			
Total items that may be reclassified to profit (loss)		(144,253)	(48,675)
TOTAL OTHER COMPREHENSIVE INCOME (EXPENSE)		(143,367)	(49,266)
COMPREHENSIVE INCOME (EXPENSE)		(58,031)	25,835
Attributable to:			
Non-controlling interests		(17,997)	7,686
Owners of the parent		(40,021)	18,149



Consolidated statement of changes in equity

[EUR'000]	Share capital	Share premium reserve	Other reserves	
			Legal reserve	Translation reserve
Equity at 1 January 2015	159,120	35,710	31,825	(249,886)
Allocation of 2014 profit (loss)				
Distribution of 2014 dividends				
Other changes				
Total owner transactions	-	-	-	-
Change in translation reserve				(48,804)
Net actuarial gains (losses)				
Total other comprehensive income (expense)	-	-	-	(48,804)
Change in other reserves				
Total other transactions	-	-	-	-
Profit (loss) for the year				
Equity at 31 December 2015	159,120	35,710	31,825	(298,690)
Equity at 1 January 2016	159,120	35,710	31,825	(298,690)
Allocation of 2015 profit (loss)				
Distribution of 2015 dividends				
Other changes				
Total owner transactions	-	-	-	-
Change in translation reserve				(108,016)
Net actuarial gains (losses)				
Total other comprehensive income (expense)	-	-	-	(108,016)
Change in other reserves				
Total other transactions	-	-	-	-
Profit (loss) for the year				
Equity at 31 December 2016	159,120	35,710	31,825	(406,706)

Other reserves	Profit (loss) attributable to the owners of the parent	Equity attributable to the owners of the parent	Profit (loss) attributable to non-controlling interests	Reserves attributable to non-controlling interests	Equity attributable to non-controlling interests	Total Equity
994,667	71,634	1,043,070	7,091	73,140	80,231	1,123,301
71,634	(71,634)	-	(7,091)	7,091	-	-
(15,912)		(15,912)		(1,632)	(1,632)	(17,544)
		-			-	-
55,722	(71,634)	(15,912)	(7,091)	5,459	(1,632)	(17,544)
		(48,804)		129	129	(48,675)
(524)		(524)		(67)	(67)	(591)
(524)	-	(49,328)	-	62	62	(49,266)
3,363		3,363		(3,850)	(3,850)	(487)
3,363	-	3,363	-	(3,850)	(3,850)	(487)
	67,477	67,477	7,624		7,624	75,101
1,053,228	67,477	1,048,670	7,624	74,811	82,435	1,131,105
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

Consolidated statement of cash flows

(EUR '000)	Note	31 December 2016	31 December 2015
Profit (loss) for the year		85,349	75,101
Amortisation and depreciation	26	84,164	82,133
(Reversals of impairment losses) Impairment losses		(4,217)	(3,763)
Share of net profits of equity-accounted investees	27	(5,127)	(5,065)
Net financial (income) expense	27	(18,809)	1,067
(Gains) Losses on disposals		(2,087)	(1,951)
Income taxes	28	33,246	26,542
Change in employee benefits		(3,202)	(1,146)
Change in provisions (current and non-current)		5,594	(15)
Operating cash flows before changes in working capital		174,911	172,903
(Increase) decrease in inventories		(315)	5,770
(Increase) decrease in trade receivables		(8,247)	2,340
Increase (decrease) in trade payables		41,422	58
Change in other non-current and current assets and liabilities		(1,096)	(10,059)
Change in current and deferred taxes		(5,456)	(3,836)
Operating cash flows		201,219	167,176
Dividends collected		6,371	3,960
Interest collected		2,681	2,167
Interest paid		(9,123)	(9,547)
Other income (expense) collected (paid)		(7,674)	(1,304)
Income taxes paid		(35,267)	(31,186)
CASH FLOWS FROM OPERATING ACTIVITIES (A)		158,207	131,266
Investments in intangible assets		(4,640)	(2,309)
Investments in property, plant and equipment		(62,584)	(60,043)
Investments in equity investments and other non-current securities		(400,032)	(2)
Proceeds from the sale of intangible assets		-	-
Proceeds from the sale of property, plant and equipment		1,822	4,325
Proceeds from the sale of equity investments and non-current securities		-	-
Change in non-current financial assets		(2,131)	129
Change in current financial assets		572	5,580
Other changes in investing activities		-	-
CASH FLOWS USED IN INVESTING ACTIVITIES (B)		(466,993)	(52,320)
Change in non-current financial liabilities		509,314	(20,482)
Change in current financial liabilities		(66,184)	6,992
Dividends distributed		(17,275)	(17,543)
Other changes in equity		(6,276)	(5,918)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		419,579	(36,951)
NET EXCHANGE RATE GAINS (LOSSES) ON CASH AND CASH EQUIVALENTS (D)		(3,536)	917
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		107,257	42,912
Opening cash and cash equivalents	12	136,768	93,856
Closing cash and cash equivalents	12	244,025	136,768

Consolidated statement of financial position

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

(EUR '000)	Note	31 December 2016		31 December 2015	
		Total	of which with related parties	Total	of which with related parties
ASSETS					
Intangible assets with a finite useful life	1	70,372	-	33,009	-
Intangible assets with an indefinite useful life	2	375,142	-	391,660	-
Property, plant and equipment	3	1,067,126	-	725,336	-
Investment property	4	98,823	-	116,145	-
Equity-accounted investments	5	22,893	-	23,430	-
Available-for-sale equity investments	6	571	-	207	-
Non-current financial assets	9	2,970	-	640	-
Deferred tax assets	20	73,274	-	63,006	-
Other non-current assets	11	11,075	2,713	11,026	-
TOTAL NON-CURRENT ASSETS		1,722,246	-	1,364,459	-
Inventories	7	163,822	-	139,954	-
Trade receivables	8	236,498	6,946	174,139	4,184
Current financial assets	9	3,491	-	6,192	4,155
Current tax assets	10	8,368	-	5,973	-
Other current assets	11	56,994	3,672	22,066	-
Cash and cash equivalents	12	244,025	2,251	136,768	1,720
TOTAL CURRENT ASSETS		713,198	-	485,092	-
TOTAL ASSETS		2,435,444	-	1,849,551	-
EQUITY AND LIABILITIES					
Share capital		159,120	-	159,120	-
Share premium reserve		35,710	-	35,710	-
Other reserves		730,597	-	786,363	-
Profit (loss) attributable to the owners of the parent		67,270	-	67,477	-
Equity attributable to the owners of the parent	13	992,697	-	1,048,670	-
Profit (loss) attributable to non-controlling interests		18,079	-	7,624	-
Reserves attributable to non-controlling interests		49,527	-	74,811	-
Equity attributable to non-controlling interests	13	67,606	-	82,435	-
TOTAL EQUITY		1,060,303	-	1,131,105	-
Employee benefits	14	41,520	-	17,815	-
Non-current provisions	15	24,617	-	17,036	-
Non-current financial liabilities	17	744,606	-	235,291	50,000
Deferred tax liabilities	20	146,262	-	71,750	-
Other non-current liabilities	19	10,084	1,718	8,672	1,864
TOTAL NON-CURRENT LIABILITIES		967,089	-	350,564	-
Current provisions	15	3,484	-	3,272	-
Trade payables	16	263,443	270	180,544	78
Current financial liabilities	17	65,349	1,462	129,756	-
Current tax liabilities	18	16,769	-	10,172	-
Other current liabilities	19	59,007	-	44,138	-
TOTAL CURRENT LIABILITIES		408,052	-	367,882	-
TOTAL LIABILITIES		1,375,141	-	718,446	-
TOTAL EQUITY AND LIABILITIES		2,435,444	-	1,849,551	-

Consolidated income statement

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

[EUR '000]	Note	2016		2015	
		Total	of which with related parties	Total	of which with related parties
REVENUE	21	1,027,578	19,790	969,040	18,420
Change in inventories	7	3,263	-	(5,627)	-
Increase for internal work	22	8,031	-	6,014	-
Other operating revenue	22	29,527	981	25,934	32
TOTAL OPERATING REVENUE		1,068,399	-	995,361	-
Raw materials costs	23	(432,711)	-	(409,743)	-
Personnel costs	24	(166,986)	-	(149,714)	-
Other operating costs	25	(270,876)	(2,156)	(241,868)	(2,182)
TOTAL OPERATING COSTS		(870,573)	-	(801,325)	-
EBITDA		197,826	-	194,036	-
Amortisation and depreciation	26	(84,164)	-	(82,133)	-
Provisions	26	(7,994)	-	(2,647)	-
Impairment losses	26	(11,009)	-	(11,611)	-
Total amortisation, depreciation, impairment losses and provisions		(103,167)	-	(96,391)	-
EBIT		94,659	-	97,645	-
Share of net profits of equity-accounted investees	27	5,127	-	5,065	-
Financial income		3,446	22	9,533	259
Financial expense	27	(16,933)	(2,445)	(13,243)	(1,737)
Foreign exchange rate gains (losses)	27	32,296	-	2,643	-
Net financial income (expense)		18,809	-	(1,067)	-
NET FINANCIAL EXPENSE AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEEES		23,936	-	3,998	-
PROFIT (LOSS) BEFORE TAXES		118,595	-	101,643	-
Income taxes	28	(33,246)	-	(26,542)	-
PROFIT (LOSS) FROM CONTINUING OPERATIONS		85,349	-	75,101	-
PROFIT (LOSS) FOR THE YEAR		85,349	-	75,101	-
Attributable to:					
Non-controlling interests		18,079	-	7,624	-
Owners of the parent		67,270	-	67,477	-
[EUR]					
Basic earnings per share	29	0.423		0.424	
Diluted earnings per share	29	0.423		0.424	

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 2016:

1. Francesco Gaetano Caltagirone – 104,921,927 shares (65.939%). 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%)
 - Lav 2004 Srl – 40,543,880 shares (25.480%)
 - 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%)
 - Caltagirone SpA – 2,533,226 shares (1.592%)
2. Francesco Caltagirone 8,020,299 shares (5.040%). The shareholding is held as follows:
 - Direct ownership of 2,520,299 shares (1.584%)
 - Indirect ownership through the company Chupas 2007 Srl 5,500,000 shares (3.457%).

On 3 March 2017, the Board of Directors approved these consolidated financial statements at 31 December 2016 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 2016 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 2016, 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 No. 38 of 28 February 2005, the provisions of the Italian Civil Code, CONSOB (Italian Securities and Exchange Commission) resolutions No. 15519 ("Instructions for financial statements implementing article 9.3 of Legislative Decree 38/2005") and No. 15520 ("Amendments and additions to the regulation implementing Legislative Decree 58/1998"), both dated 27 July 2006, and CONSOB Communication 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 2016 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 parent Cementir Holding SpA has also prepared its separate financial statements at 31 December 2016 in accordance with the IFRS, as defined above.

Standards and amendments to standards adopted by the Group

a) Commencing as of 1 January 2016, the Group has adopted the following new accounting standards:

- *"Equity Method in Separate Financial Statements (Amendments to IAS 27)"*. This document was endorsed by the European Union through Regulation No. 2441 of 23 December 2015. The amendments permit entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- *Amendments to IAS 1 - Presentation of Financial Statements*. These amendments were endorsed by the European Union through Regulation No. 2406 of 19 December 2015. The project was part of the IASB's overall *Disclosure Initiative*, the objective of which is to improve the presentation and disclosure of financial information in financial reports and resolve certain issues raised by operators.
- *"Annual Improvements to IFRSs: Cycle 2012-2014"*. This document was endorsed by the European Union through Regulation No. 2343 of 16 December 2015. The amendments introduced affect the following standards: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 – *Financial Instruments: Disclosure*, IAS 19 – *Employee Benefits*, IAS 34 – *Interim Financial Reporting*.
- *"Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)"*; these amendments clarify that a revenue-based method of amortisation is not considered appropriate because it represents the generation of economic benefits from an asset rather than the consumption of the economic benefits embodied in the asset. These amendments were endorsed by the European Union through Regulation No. 2015 of 3 December 2015.

- “*Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 - Joint Arrangements)*”. This document was endorsed by the European Union through Regulation No. 2173 of 25 November 2015. The amendments to IFRS 11 clarify the most appropriate approach to account for the acquisition of an interest in a joint operation that is a business.
- Amendments to IAS 16 and IAS 41 concerning bearer plants. The amendments – endorsed by the European Union in Regulation No. 2113 of 24 November 2015 – permit bearer plants to be recognised at cost instead of fair value, while continuing to require that harvests be measured at fair value.
- “*Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*”. The objective of the amendment, endorsed by the European Union by Regulation No. 1703 of 23 September 2016, is to address three issues relating to the consolidation of investment entities.

b) Standards and interpretations of standards applicable for years starting after 2016 and not adopted in advance 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 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.

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 30 January 2014, the IASB published IFRS 14 – *Regulatory Deferral Accounts*. The standard permits first-time adopters that operate in sectors subject to rate regulation to continue to account, with some limited changes, for “regulatory deferral account balances” in accordance with its previous GAAP, both on initial

adoption of IFRS and in subsequent financial statements. However, it requires that regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required in the notes. As it stands, the European Commission has decided to suspend the Endorsement Process pending the IASB issuing the definitive accounting standard.

- 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. EFRAG is expected to conclude due process in the first quarter of 2017.
- 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. Entry into force of this amendment, whose endorsement by the EU is expected in the second quarter of 2017, is also scheduled for 1 January 2018.
- On 11 September 2014, the IASB published Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), with a view to resolving the conflict between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or contribution of non-monetary assets to a joint venture or associate in exchange for an equity stake in the entity is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. In contrast, IFRS 10 requires the recognition of the full gain or loss upon loss of control, even if the entity continues to hold a non-controlling interest in the associate, also in the case of the sale or contribution of a subsidiary to a joint venture or associate. The amendments introduced clarify that in the case of the sale or contribution of assets or a subsidiary to a joint venture or an associate, the extent to which the resulting gain or loss is recognised in the financial statements of the seller/contributor depends on whether the assets or subsidiary transferred constitute a business, as defined in IFRS 3. If the assets or subsidiary transferred represent a business, then the entity is required to recognise the full gain or loss on the entire equity interest formerly held; if the assets or subsidiary transferred do not constitute a business, only a partial gain or loss is to be recognised in relation to the equity interest still held by the entity. In December 2015 the IASB published the Amendment that indefinitely defers the effective date of the amendments to IFRS 10 and IAS 28, ahead of the completion of the IASB project on the equity method.
- On 19 January 2016, the IASB published a number of amendments to IAS 12 – Income Tax. “Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)” that aim to clarify how to account for deferred tax assets relative to debt instruments measured at fair value. The amendments will become effective as of 1 January 2017. Early application is permitted. Endorsement by the EU is expected in the second quarter of 2017.

- On 29 January 2016, the IASB published a number of amendments to IFRS 7 – Statement of cash flows. The Disclosure Initiative (Amendments to IAS 7) aims to improve the presentation and disclosure of financial information in financial reports and resolve certain issues raised by operators. The amendments will become effective as of 1 January 2017. Endorsement by the EU is expected in the second quarter of 2017.
- 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 is expected in the second quarter of 2017.
- 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 is expected in the third quarter of 2017.
- 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 second half of 2017.
- On 8 December 2016, the IASB published “*Annual Improvements to IFRS Cycle 2014-2016*”. The amendments adopted, 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*. Endorsement by the EU is expected in the second half of 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. The amendments to IFRS 12 are applicable starting from annual reporting periods commencing on or after 1 January 2017.
- 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 second half of 2017.

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 with specific reference to IFRS 9 and IFRS 15.

Basis of consolidation

Consolidation scope

A list of the companies included in the scope of consolidation at 31 December 2016 is provided in annex 1. It should be noted that the scope of consolidation changed during 2016 with the inclusion of Cementir Sacci and the CCB group, whose effects are provided in note 31.

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.

Regarding JOs, at 31 December 2016 the Group proportionately consolidated the company Société des Carrières du Tournaisis SA.

Associates

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

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

The equity method may be described as follows:

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

Accounting policies

Intangible assets

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

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

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

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

determined in the period in which the intangible asset becomes available for use when it actually becomes available for use.

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

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

Intangible assets with an indefinite useful life are those assets for which, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group. They are initially recognised at cost, determined using the same methods indicated above for intangible assets with a finite useful life.

They are not amortised but are tested for impairment annually or more frequently, if specific events suggest that they may be impaired, using the methods set out below for goodwill. Any impairment losses are reversed when the reasons for them no longer exist.

In the case of an acquisition of a subsidiary or associate, the acquired identifiable assets, liabilities and contingent liabilities are recognised at their fair value as at the date of acquisition. Any positive difference between the purchase cost and the Group's share of fair value of these assets and liabilities is recognised as goodwill under intangible assets. Any negative difference (negative goodwill) is recognised in profit or loss at the acquisition date.

Goodwill is not amortised after initial recognition but is tested for impairment annually or more frequently whenever there is an indication that it may be impaired. Impairment losses on goodwill are not reversed.

Property, plant and equipment

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

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

Ordinary and/or regular maintenance and repair costs are expensed when incurred. Costs to extend, upgrade or improve group-owned assets or assets owned by third parties are capitalised only when they meet the requirements for their separate classification as assets or a part of an asset, using the component approach. Property, plant and equipment are recognised net of accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually. Any necessary changes to its useful life are applied prospectively. Quarries are depreciated considering the quantities extracted in the period compared to the quantity extractable over the quarry's useful

life (extracted/extractible criterion). When the Group has a specific commitment to do so, it recognises a provision for site restoration costs.

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

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

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

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

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

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

Investment property

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

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

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

Impairment losses

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

life is estimated at each reporting date or whenever changes in circumstances or specific events make it necessary.

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

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

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

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

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

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

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 (CO₂). 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 CO₂ 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 employees¹ pursuant to article 2120 of the Italian Civil Code for benefits vested up to 31 December 2006. Following pension law reform, post-employment benefits accruing since 1 January 2007 are mandatorily transferred to a supplementary pension fund or the special treasury fund set up by INPS (the Italian social security institution) depending on which option the employee has chosen. Therefore, the Group's liability for defined benefits owing to employees solely relates to those vested up to 31 December 2006.

Accounting policies adopted by the Group¹ 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 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 obligation² 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.

¹ For Italian companies.

² Discounting uses the IRS rate curve equal to the term of the relevant observation period (50 years).

Grants

Government and other grants are recognised at their fair value when the Group is reasonably certain they will be received and it will meet all the conditions for their receipt.

Grants for the purchase or development of non-current assets (grants related to assets) are either recognised directly as a reduction in the value of the non-current asset or under other liabilities and charged to profit or loss over the related asset's useful life.

Grants related to income are recognised in full in profit or loss when the conditions for their recognition are met.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and it can be estimated reliably. Revenue is recognised at the fair value of the consideration received net of VAT, discounts, allowances and returns.

Specifically, revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Revenue from the rendering of services is recognised when the services are rendered by reference to the stage of completion of the transaction at the end of the reporting period.

Financial income and expense

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

Dividends

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

Income taxes

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

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

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

Current and deferred income taxes are recognised in profit and loss except for those related to captions directly

recognised in other comprehensive income. They are offset when the taxes are imposed by the same tax authority, the Group has the legal right to offset them and the net balance is expected to be paid.

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 2016	Average 2016	31 December 2015	Average 2015
Turkish lira – TRY	3.71	3.34	3.18	3.03
US dollar – USD	1.05	1.11	1.09	1.11
British pound – GBP	0.86	0.82	0.73	0.73
Egyptian pound – EGP	19.10	11.03*	8.42	8.47
Danish krone – DKK	7.43	7.45	7.46	7.46
Icelandic krona – ISK	119.15	133.71	141.25	146.31
Norwegian krone – NOK	9.09	9.29	9.60	8.95
Swedish krona – SEK	9.55	9.47	9.19	9.35
Malaysian ringgit – MYR	4.73	4.58	4.70	4.34
Chinese renminbi-yuan – CNY	7.32	7.35	7.06	6.97

*the exchange rate on the transaction date was used to convert the foreign currency current.

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, investment properties are valued at fair value and are not subject to depreciation. When determining their fair value, the Directors based their valuation particularly on assumptions on the trend of the relevant real estate market. Such assumptions may vary over time, influencing valuations and estimates to be provided 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. Specifically, the cement sector is exposed to currency risk for its revenue on exports and costs to purchase solid fuel, priced in US dollars. The ready-mixed concrete sector is less exposed as its revenue and costs are in local currency. 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.



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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 Areas that represent the following geographical areas: Nordic & Baltic and USA, Eastern Mediterranean, Asia Pacific, and Central Mediterranean (Italy).

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

2015 figures have been reclassified correspondingly to make them comparable.

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 2016:

[EUR '000]	Nordic & Baltic and USA			Eastern Mediterranean		Asia Pacific	Central Mediterranean (Italy)	Unallocated items and adjustments	Cementir Holding Group
	Denmark	Belgium/France	Other*	Turkey	Egypt				
Operating revenue	373,612	40,494	246,788	214,762	50,408	80,092	128,547	(66,304)	1,068,399
<i>Intra-segment operating revenue</i>	(43,360)	(12)	(5,039)	-	(81)	-	(17,812)	66,304	-
Contributed operating revenue	330,252	40,482	241,749	214,762	50,327	80,092	110,735	-	1,068,399
Segment result (EBITDA)	115,098	8,790	19,659	32,060	13,374	20,983	(12,138)	-	197,826
Amortisation, depreciation, impairment losses and provisions	(21,625)	(3,148)	(8,233)	(29,140)	(3,412)	(6,236)	(31,373)	-	(103,167)
EBIT	93,473	5,642	11,426	2,920	9,962	14,747	(43,511)	-	94,659
Net profit (loss) of equity-accounted investees	(1,169)	(31)	6,327	-	-	-	-	-	5,127
Net financial (income) expense	-	-	-	-	-	-	-	18,809	18,809
Profit (loss) before taxes	-	-	-	-	-	-	-	-	118,595
Income taxes	-	-	-	-	-	-	-	-	(33,246)
Profit (loss) for the year	-	-	-	-	-	-	-	-	85,349

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

The following table shows the performance of each operating segment at 31 December 2015:

[EUR '000]	Nordic & Baltic and USA			Eastern Mediterranean		Asia Pacific	Central Mediterranean (Italy)	Unallocated items and adjustments	Cementir Holding Group
	Denmark	Belgium/France	Other*	Turkey	Egypt				
Operating revenue	329,770	-	240,175	245,634	52,893	79,211	113,046	(68,368)	995,361
Intra-segment operating revenue	(41,886)	-	(5,277)	(743)	(1,931)	-	(15,531)	68,368	-
Contributed operating revenue	287,884	-	234,898	244,891	50,962	79,211	97,515	-	995,361
Segment result (EBITDA)	84,603	-	18,494	59,806	11,417	17,003	2,713	-	194,036
Amortisation, depreciation, impairment losses and provisions	(20,921)	-	(8,545)	(34,302)	(4,274)	(6,669)	(21,680)	-	(96,391)
EBIT	63,682	-	9,949	25,504	7,143	10,334	(18,967)	-	97,645
Net profit (loss) of equity-accounted investees	271	-	4,794	-	-	-	-	-	5,065
Net financial (income) expense	-	-	-	-	-	-	-	(1,067)	(1,067)
Profit (loss) before taxes	-	-	-	-	-	-	-	-	101,643
Income taxes	-	-	-	-	-	-	-	-	(26,542)
Profit (loss) for the year	-	-	-	-	-	-	-	-	75,101

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

[EUR '000]	Segment assets	Segment liabilities	Equity-accounted investments	Investments in property, plant and equipment and intangible assets ³
Nordic & Baltic and USA:				
Denmark	509,636	247,461	2,626	26,149
Belgium / France	525,032	160,195	75	4,663
Other *	188,461	80,080	18,474	10,743
Eastern Mediterranean:				
Turkey	453,220	68,430	1,718	15,058
Egypt	97,911	20,797	-	1,434
Asia Pacific	133,424	15,013	-	2,322
Central Mediterranean (Italy)	527,760	783,165	-	11,459
Total	2,435,444	1,375,141	22,893	71,828

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

³ Investments made in the year.

The following table shows other data for each segment at 31 December 2015:

[EUR '000]	Segment assets	Segment liabilities	Equity-accounted investments	Investments in property, plant and equipment and intangible assets ³
Nordic & Baltic and USA:				
Denmark	507,392	295,705	3,925	16,155
Belgium / France	-	-	-	-
Other *	172,931	66,612	19,505	6,649
Eastern Mediterranean:				
Turkey	531,455	83,450	-	17,657
Egypt	150,146	32,277	-	13,236
Asia Pacific	123,447	14,491	-	2,120
Italy	364,180	225,911	-	5,507
Total	1,849,551	718,446	23,430	61,324

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

[Euro '000]	Nordic & Baltic and USA			Eastern Mediterranean		Asia Pacific	Central Mediterranean (Italy)	Rest of the world	Cementir Holding Group
	Denmark	Belgium France	Other*	Turkey	Egypt				
Revenue by customer geographical location	241,703	18,857	237,200	200,169	23,313	93,225	97,903	115,208	1,027,578

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

³Investments made in the year.

Notes to the consolidated financial statements

1) Intangible assets with a finite useful life

At 31 December 2016, intangible assets with a finite useful life amounted to EUR 70,372 thousand (31 December 2015: EUR 33,009 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.

Other intangible assets at 31 December 2015 included the EUR 6.3 million impairment loss on a waste management agreement signed in 2011 (for a term of 25 years) with the municipal company of Istanbul (Turkey), with an original consideration of TL 12.1 million (equal to EUR 5.2 million at the acquisition date). Refer to note 3 for the effects at 31 December 2016.

[EUR '000]	Development expenditure	Concessions, licences and trademarks	Other intangible assets	Assets under development and advances	Total
Gross amount at 1 January 2016	1,992	29,751	34,465	1,170	67,378
Increase	2	126	3,363	1,728	5,219
Decrease	-	(91)	-	-	(91)
Impairment losses	-	-	-	-	-
Change in consolidation scope (note 31)	-	-	51,653	-	51,653
Translation differences	12	(2,356)	(1,324)	1	(3,667)
Reclassifications	-	47	2,240	(2,177)	110
Gross amount at 31 December 2016	2,006	27,477	90,397	722	120,602
Amortisation at 1 January 2016	1,577	13,329	19,463	-	34,369
Amortisation	181	1,327	3,707	-	5,215
Decrease	-	(38)	-	-	(38)
Change in consolidation scope (note 31)	-	-	12,506	-	12,506
Translation differences	8	(742)	(1,088)	-	(1,822)
Reclassifications	-	(22)	22	-	-
Amortisation at 31 December 2016	1,766	13,854	34,610	-	50,230
Net amount at 31 December 2016	240	13,623	55,787	722	70,372

The Group spent approximately EUR 1 million on research and development during the year (31 December 2015: EUR 1.6 million), all of which was expensed in the income statement.

[EUR '000]	Development expenditure	Concessions, licences and trademarks	Other intangible assets	Assets under development and advances	Total
Gross amount at 1 January 2015	2,006	28,682	38,622	708	70,018
Increase	-	433	1,881	1,253	3,567
Decrease	-	-	-	-	-
Impairment losses	-	-	(6,295)	-	(6,295)
Change in consolidation scope	-	-	-	-	-
Translation differences	(14)	488	(949)	(4)	(479)
Reclassifications	-	148	1,206	(787)	567
Gross amount at 31 December 2015	1,992	29,751	34,465	1,170	67,378
Amortisation at 1 January 2015	1,353	11,886	15,999	-	29,238
Amortisation	233	1,330	3,726	-	5,289
Decrease	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-
Translation differences	(9)	113	(262)	-	(158)
Reclassifications	-	-	-	-	-
Amortisation at 31 December 2015	1,577	13,329	19,463	-	34,369
Net amount at 31 December 2015	415	16,422	15,002	1,170	33,009

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 2016, the caption amounted to EUR 375,142 thousand (31 December 2015: EUR 391,660 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	229,877	30,777	118,064	4,520	3,244	5,178	391,660
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-	1,757	1,757
Translation differences	234	1,017	(16,969)	(2,527)	(30)	-	(18,275)
Reclassifications	-	-	-	-	-	-	-
Closing balance	230,111	31,794	101,095	1,993	3,214	6,935	375,142

31.12.2016

[EUR '000]	Nordic & Baltic and USA		Eastern Mediterranean		Asia Pacific	Central Mediterranean	Total
	Denmark	Other	Turkey	Egypt			
Opening balance	229,873	32,207	132,483	4,385	3,535	5,178	407,661
Increase	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-	-	-
Translation differences	4	(1,430)	(14,419)	135	(291)	-	(16,001)
Reclassifications	-	-	-	-	-	-	-
Closing balance	229,877	30,777	118,064	4,520	3,244	5,178	391,660

31.12.2016

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 2016 the Group represented the CGUs on the basis of the new 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. Goodwill allocated to the Italian CGU refers to the subsidiaries Betontir and Cementir Sacci. Although no specific goodwill is allocated to the subsidiary Cementir Italia, in view of the persistent slowdown of the reference market, the Group tested the recoverability of its net capital employed. The test showed that the enterprise value of Cementir Italia is higher than the net capital employed in the company.

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 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 %	31.12.2016		31.12.2015	
	Growth rate of terminal values	Discount rate	Growth rate of terminal values	Discount rate
Nordic & Baltic and USA	1-2%	5-6.5%	1-2%	5-6.1%
Eastern Mediterranean	2-4%	12-14%	2-4%	11-13%
Asia-Pacific	3%	7-9%	3%	7-8%
Central Mediterranean (Italy)	1.5%	6.6%	1.5%	6.5%

As a result, neither equity or profit (loss) at 31 December 2016 was affected by impairment losses.

A sensitivity analysis was performed assuming a hypothetical variation in the discount rate (WACC) and showed that the impairment test results were not sensitive to changes in input assumptions. Specifically a reasonable variation in WACC (+/- 6%, 5%, 6% and 2%), at the same conditions, would not result in the recognition of any impairment loss for the Nordic & Baltic and USA CGU, the Eastern Mediterranean CGU, the Asia-Pacific CGU and the Central Mediterranean (Italy) CGU.

Impairment testing took into consideration performance expectations for 2017. 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 input assumptions stated in the table above were applied to estimates and forecasts determined 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 2016, property, plant and equipment amounted to EUR 1,067,126 thousand (31 December 2015: EUR 725,336 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 construction and advances	Total
Gross amount at 1 January 2016	422,942	44,622	1,337,187	84,087	39,000	1,927,838
Increase	2,761	1,978	17,177	2,359	42,334	66,609
Decrease	(33)	(4)	(3,063)	(4,156)	(346)	(7,602)
Impairment losses	-	-	(7,422)	-	-	(7,422)
Change in consolidation scope (note 31)	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)
Gross amount at 31 December 2016	565,899	295,306	1,807,831	90,412	63,500	2,822,948
Depreciation at 1 January 2016	226,893	17,168	899,699	58,742	-	1,202,502
Amortisation and depreciation	11,295	1,206	60,958	5,490	-	78,949
Decrease	(32)	-	(2,892)	(4,012)	-	(6,936)
Change in consolidation scope (note 31)	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)
Depreciation at 31 December 2016	319,430	62,801	1,306,766	66,825	-	1,755,822
Net amount at 31 December 2016	246,469	232,505	501,065	23,587	63,500	1,067,126

(EUR '000)	Land and buildings	Quarries	Plant and equipment	Other	Assets under construction and advances	Total
Gross amount at 1 January 2015	433,143	44,571	1,327,034	89,573	36,901	1,931,225
Increase	2,677	443	17,401	1,713	35,523	57,757
Decrease	(1,219)	(782)	(2,000)	(6,209)	-	(10,210)
Impairment losses	-	-	(3,825)	-	-	(3,825)
Change in consolidation scope	(181)	204	-	-	-	23
Translation differences	(8,055)	51	(34,287)	(3,140)	(785)	(46,216)
Reclassifications	(3,426)	135	32,864	2,150	(32,639)	(916)
Gross amount at 31 December 2015	422,942	44,622	1,337,187	84,087	39,000	1,927,838
Depreciation at 1 January 2015	222,933	15,440	863,641	60,502	-	1,162,516
Amortisation and depreciation	11,123	1,035	58,892	5,794	-	76,844
Decrease	(691)	(14)	(1,479)	(5,652)	-	(7,836)
Change in consolidation scope	(158)	181	-	-	-	23
Translation differences	(3,645)	548	(24,064)	(1,883)	-	(29,044)
Reclassifications	(2,669)	(22)	2,709	(19)	-	(1)
Depreciation at 31 December 2015	226,893	17,168	899,699	58,742	-	1,202,502
Net amount at 31 December 2015	196,049	27,454	437,488	25,345	39,000	725,336

At 31 December 2016, 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 13.7% (2015: 13.4%);
- Growth rate of 5.5% (2015: 5.5%);
- EBITDA margin between 30% and 37% (2015: 22%-37%), in line with company forecasts starting from 2017 onwards.

Impairment testing at 31 December 2016 found a recoverable amount for the CGU of EUR 30.1 million, compared to a carrying amount of EUR 36.8 million. Accordingly, an impairment loss of EUR 7.4 million was recognised under the caption "Impairment losses" (note 26 on plant and machinery).

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

At 31 December 2016, a total of EUR 108.6 million of property, plant and equipment (31 December 2015: EUR 114.9 million) was pledged as collateral for bank loans totalling a residual EUR 114.9 million at the reporting date (31 December 2015: EUR 124.6 million).

Contractual commitments in place at 31 December 2016 to purchase property, plant and equipment amounted to EUR 4 million (31 December 2015: EUR 0.5 million). The Group did not capitalise borrowing costs in 2016 or in 2015.

4) Investment property

Investment property, totalling EUR 98,923 thousand, is recognised at fair value, as determined on an annual basis using appraisals prepared by independent property assessors.

(EUR '000)	31.12.2016			31.12.2015		
	Land	Buildings	Total	Land	Buildings	Total
Opening balance	85,971	30,174	116,145	80,045	30,262	110,307
Increase	-	-	-	-	-	-
Decrease	(5,387)	(7)	(5,394)	-	-	-
Fair value gains (losses)	-	-	-	14,934	440	15,374
Translation differences	(11,272)	(656)	(11,928)	(9,008)	(528)	(9,536)
Reclassifications	-	-	-	-	-	-
Closing balance	69,312	29,511	98,823	85,971	30,174	116,145

In 2016 the amount of investment property included mainly land and buildings of Cimentas group for EUR 69.6 million.

At 31 December 2016, approximately EUR 18.3 million of investment property was pledged as collateral for bank loans totalling a residual, undiscounted amount of approximately EUR 7.9 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:

(EUR '000)	Business	Registered office	Investment %	Carrying amount	Share of profit or loss
31.12.2016					
Lehigh White Cement Company Joint Venture	Cement	Allentown (USA)	24.5%	17,671	6,034
Secil Unicon SGPS Lda	Cement	Lisbon (Portugal)	50%	-	-
Sola Betong AS	Ready-mixed concrete	Risvika (Norway)	33.3%	1,177	201
ECOL Unicon Spzoo	Ready-mixed concrete	Gdansk (Poland)	49%	2,940	(1,169)
ÅGAB Syd Aktiebolag	Aggregates	Malmö (Sweden)	40%	1,030	217
EPI UK R&D	Research & development	Trowbridge (UK)	50%	-	-
Recybel	Other	Liegi-Flemalle (Belgium)	25.5%	75	(31)
Total				22,893	5,127

(EUR '000)	Business	Registered office	Investment %	Carrying amount	Share of profit or loss
31.12.2015					
Lehigh White Cement Company Joint Venture	Cement	Allentown (USA)	24.5%	17,286	4,967
Secil Unicon SGPS Lda	Cement	Lisbon (Portugal)	50%	-	-
Sola Betong AS	Ready-mixed concrete	Risvika (Norway)	33.3%	1,059	114
ECOL Unicon Spzoo	Ready-mixed concrete	Gdansk (Poland)	49%	4,238	272
ÅGAB Syd Aktiebolag	Aggregates	Malmö (Sweden)	40%	847	(27)
EPI UK R&D	Research & development	Trowbridge (UK)	50%	-	(261)
Total				23,430	5,065

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)	31.12.2016	31.12.2015
Revenue	132,151	125,927
Profit (loss) for the year	24,962	20,274
Dividends received from the joint venture	6,516	3,788
Assets:	79,792	74,893
- Non-current assets	31,352	29,678
- Current assets	48,440	45,215
Liabilities:	16,109	12,856
- Non-current liabilities	12,879	3,903
- Current liabilities	3,230	8,953
Net assets	63,683	62,037
Investment %	24.5%	24.5%
Share of equity attributable to the owners of the parent	15,602	15,199
Adjusting entries	-	-
Consolidation differences	2,069	2,087
Value of the equity-accounted investment	17,671	17,286

6) Available-for-sale equity investments

	31.12.2016	31.12.2015
Available-for-sale equity investments opening balance	207	213
Increase	-	2
Decrease	-	-
Fair value gains (losses)	-	-
Change in consolidation scope (note 31)	374	-
Translation differences	(10)	(8)
Available-for-sale equity investments closing balance	571	207

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:

	31.12.2016	31.12.2015
Raw materials, consumables and supplies	95,063	83,025
Work in progress	33,131	28,180
Finished goods	34,547	27,947
Advances	1,081	802
Inventories	163,822	139,954

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 652 thousand (31 December 2015: negative EUR 4,130 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 3,263 thousand (31 December 2015: negative EUR 5,627 thousand).

8) Trade receivables

Trade receivables totalled EUR 236,498 thousand (31 December 2015: EUR 174,139 thousand) and break down as follows:

(EUR '000)	31.12.2016	31.12.2015
Trade receivables	260,518	182,070
Allowances for impairment	(32,737)	(17,245)
Net trade receivables	227,781	164,825
Advances to suppliers	1,771	5,131
Trade receivables - related parties (note 34)	6,946	4,183
Trade receivables	236,498	174,139

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.

Trade receivables at 31 December 2016 include the effect of the change of scope of consolidation of EUR 55.4 million linked to the acquisition of the CCB Group and the Sacchi business unit (note 31).

The breakdown by due date is shown below:

(EUR '000)	31.12.2016	31.12.2015
Not yet due	182,107	130,350
Overdue:	78,411	51,720
0-30 days	19,314	12,770
30-60 days	4,454	6,304
60-90 days	5,185	2,824
More than 90 days	49,458	29,822
Total trade receivables	260,518	182,070
Allowances for impairment	(32,737)	(17,245)
Net trade receivables	227,781	164,825

9) Current and non-current financial assets

Non-current financial assets of EUR 2,970 thousand (31 December 2015: EUR 640 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 3,491 thousand (31 December 2015: EUR 6,192 thousand) and consisted mainly of financial receivables. The item consists of the following:

(EUR '000)	31.12.2016	31.12.2015
Fair value of derivatives	205	1,326
Accrued income/ Prepayments	855	-
Loan assets - related parties (note 34)	-	4,155
Other loan assets	2,431	711
Current financial assets	3,491	6,192

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 8,368 thousand (31 December 2015: EUR 5,973 thousand), mainly refer to IRES and IRAP payments on account to tax authorities (approximately EUR 3.2 million), withholdings (EUR 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 11,075 thousand (31 December 2015: EUR 11,026 thousand) and mainly consisted of VAT assets and deposits.

Other current assets totalled EUR 56,994 thousand (31 December 2015: EUR 22,066 thousand) and consisted of non-commercial items. The caption breaks down as follows:

(Euro '000)	31.12.2016	31.12.2015
VAT assets	5,040	503
Personnel	9,649	355
Accrued income	381	1,157
Prepayments	8,119	4,666
Other receivables	30,133	15,385
Other receivables with related parties (note 34)	3,672	-
Other current assets	56,994	22,066

The amount of other current activities at 31 December 2016 includes the effect of the change of scope of consolidation of EUR 23.4 million linked to the acquisition of the CCB Group and the Sacci business division (note 31).

12) Cash and cash equivalents

Totalling EUR 244,025 thousand (31 December 2015: EUR 136,768 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)	31.12.2016	31.12.2015
Bank and postal deposits	241,067	134,417
Bank deposits - related parties (note 34)	2,251	1,720
Cash-in-hand and cash equivalents	707	631
Cash and cash equivalents	244,025	136,768

13) Equity

Equity attributable to the owners of the parent

Equity attributable to the owners of the parent amounted to EUR 992,697 thousand at 31 December 2016 (31 December 2015: EUR 1,048,670 thousand). Profit for 2016 attributable to the owners of the parent totalled EUR 67,270 thousand (2015: EUR 67,477 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 end. There are no pledges or restrictions on the shares.

Translation reserve

At 31 December 2016, the translation reserve had a negative balance of EUR 406,703 thousand (31 December 2015: negative EUR 298,690 thousand), broken down as follows:

(EUR '000)	31.12.2016	31.12.2015	Change
Turkey (Turkish lira – TRY)	(367,126)	(304,284)	(62,842)
USA (US dollar – USD)	4,585	3,251	1,334
Egypt (Egyptian pound – EGP)	(49,980)	(4,107)	(45,873)
Iceland (Icelandic krona – ISK)	(1,910)	(2,670)	760
China (Chinese renminbi – CNY)	12,008	14,456	(2,448)
Norway (Norwegian krone – NOK)	(3,166)	(5,046)	1,880
Sweden (Swedish krona – SEK)	(452)	(14)	(438)
Other countries	(662)	(276)	(386)
Total translation reserve	(406,703)	(298,690)	(108,013)

Other reserves

At 31 December 2016, other reserves amounted to EUR 1,105,478 thousand (31 December 2015: EUR 1,053,228 thousand) and consisted primarily of retained earnings, totalling EUR 840,844 thousand (31 December 2015: EUR 786,018 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 56,772 at 31 December 2015).

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests amounted to EUR 67,606 thousand at 31 December 2016 (31 December 2015: EUR 82,435 thousand). Profit for the year attributable to non-controlling interests totalled EUR 18,079 thousand (2015: EUR 7,624 thousand).

Subsidiaries with material non-controlling interests

(EUR '000)	Aalborg Portland Malaysia		AB Sydsten		Sinai White Portland Cement	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Revenue	39,269	37,960	58,344	54,945	45,249	55,194
Profit (loss) for the year:	6,587	2,156	3,475	3,545	34,445	9,9266
- attributable to the owners of the parent	4,611	1,509	1,738	1,555	19,682	5,672
- attributable to non-controlling interests	1,976	647	1,737	1,990	14,763	4,254
Other comprehensive income (expense)	(558)	(4,219)	(941)	525	(80,434)	3,180
Comprehensive income (expense) for the year	6,029	(2,063)	2,534	4,070	(45,989)	13,106
Assets:	54,949	48,797	48,859	46,006	97,910	150,145
- Non-current assets	28,324	30,368	22,185	22,964	38,426	89,581
- Current assets	26,625	18,429	26,674	23,042	59,484	60,564
Liabilities:	7,084	7,092	25,456	22,973	21,237	39,197
- Non-current liabilities	716	396	11,260	11,947	10,280	10,926
- Current liabilities	6,368	6,696	14,196	11,026	10,957	28,271
Net assets	47,865	41,705	23,403	23,033	76,673	110,948
- attributable to the owners of the parent	33,506	29,193	11,018	10,844	43,811	63,396
- attributable to non-controlling interests	14,360	12,512	12,385	12,189	32,862	47,552
Net change in cash flow	10,467	5,891	5,122	6,749	(1,734)	15,115
Dividends paid to non-controlling interests	-	-	1,287	1,546	-	-

14) Employee benefits

Provisions for employee benefits totalled EUR 41,520 thousand (31 December 2015: EUR 17,815 thousand) and 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 2014–2016 business plan.

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 %	31.12.2016	31.12.2015
Annual discount rate	0.85%-3%	1.4%-2%-4.5%
Expected return on plan assets	3%	4%
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)	31.12.2016	31.12.2015
Nominal amount of provisions	44,478	20,462
Adjustment for discounting	(2,958)	(2,647)
Employee benefits	41,520	17,815

Changes in the liability are shown below:

(EUR '000)	31.12.2016	31.12.2015
Net opening balance	17,815	17,891
Current service cost	990	1,210
Financial expense	565	487
Net actuarial gains/(losses) recognised in the year	(1,184)	754
Variazione area di consolidamento (nota 31)	27,758	-
Translation differences	(1,175)	(635)
Other changes	(31)	(178)
(Benefits paid)	(3,218)	(1,714)
Net closing balance	41,520	17,815

15) Provisions

Non-current and current provisions amounted to EUR 24,617 thousand (31 December 2015: EUR 17,036 thousand) and EUR 3,484 thousand (31 December 2015: EUR 3,272 thousand) respectively.

(EUR '000)	Quarry restructuring provision	Litigation provision	Other provisions	Total Provisions
Balance at 1 January 2016	14,555	3,032	2,721	20,308
Provisions	639	4,604	5,101	10,344
Utilisations	(242)	(115)	(431)	(788)
Decrease	(61)	(1,922)	(44)	(2,027)
Change in consolidation scope (note 31)	1,056	675	-	1,731
Translation differences	(773)	(388)	(501)	(1,662)
Reclassifications	141	(225)	279	195
Other changes	-	-	-	-
Balance at 31 December 2016	15,315	5,661	7,125	28,101
Non-current provisions	15,315	3,022	6,280	24,617
Current provisions	-	2,639	845	3,484

(EUR '000)	Quarry restructuring provision	Litigation provision	Other provisions	Total Provisions
Balance at 1 January 2015	16,389	1,000	2,759	20,148
Provisions	121	2,405	121	2,647
Utilisations	(838)	(16)	(20)	(874)
Decrease	(752)	(247)	(230)	(1,229)
Change in consolidation scope	-	-	-	-
Translation differences	(540)	(110)	91	(559)
Reclassifications	(34)	-	-	(34)
Other changes	209	-	-	209
Balance at 31 December 2015	14,555	3,032	2,721	20,308
Including:				
Non-current provisions	14,555	704	1,777	17,036
Current provisions	-	2,328	944	3,272

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 1.1 million (31 December 2015: EUR 1.5 million) and provision for risks for corporate restructuring costs totalling EUR 4.8 million.

16) Trade payables

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

(EUR '000)	31.12.2016	31.12.2015
Suppliers	260,275	178,240
Related parties (note 34)	270	78
Payments on account	2,898	2,226
Trade payables	263,443	180,544

Trade payables at 31 December 2016 include the effect of the change in the scope of consolidation of EUR 39.2 million linked to the acquisition of the CCB group (note 31).

17) Financial liabilities

Non-current and current financial liabilities are shown below:

(EUR '000)	31.12.2016	31.12.2015
Bank loans and borrowings	744,606	185,291
Non-current loan liabilities - related parties (note 34)	-	50,000
Non-current financial liabilities	744,606	235,291
Bank loans and borrowings	22,732	76,839
Current portion of non-current financial liabilities	26,507	39,016
Current loan liabilities - related parties (note 34)	1,462	-
Other loan liabilities	2,114	909
Fair value of derivatives	12,534	12,992
Current financial liabilities	65,349	129,756
Total financial liabilities	809,955	365,047

The carrying amount of non-current and current financial liabilities approximates their fair value. Non-current financial liabilities were affected by significant usage of financial resources in the acquisitions carried out during the year. These included the acquisition of Cementir Sacci SpA and the acquisition of the CCB group.

The new financing contract, signed in October 2016 with a syndicate of banks, comprises three distinct lines of credit of up to EUR 795 million.

At 31 December 2016, the outstanding financial exposure was EUR 645 million, composed as follows:

- Facility A (Term Loan) of EUR 315 million to be reimbursed over a five-year plan with the first instalment due in June 2017, of which EUR 205 million had been used at 31 December 2016;
- Facility B (Bridge) of EUR 330 million to be reimbursed in a single instalment 18 months after 25 October 2016, all of which had been used at 31 December 2016;
- Facility C (RCF - Revolving Credit Facility) of EUR 150 million, fully repayable at the end of the fifth year after 25 October 2016, of which EUR 110 million had been used at 31 December 2016.

Non-current financial liabilities include loan repayments on the 15-year, EUR 150 million loan taken out 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 February 2017 and February 2027 had a negative fair value of approximately EUR 12.5 million at 31 December 2016 (31 December 2015: approximately negative EUR 13 million).

Approximately 13.9% of financial liabilities are subject to financial covenants, which the Group complied with at 31 December 2016.

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

(EUR '000)	31.12.2016	31.12.2015
Within three months	29,703	62,492
Between three months and one year	35,646	67,264
Between one and two years	358,918	69,907
Between two and five years	315,063	84,193
After five years	70,625	81,191
Total financial liabilities	809,955	365,047

(EUR '000)	31.12.2016	31.12.2015
Floating rate	807,372	364,722
Fixed rate	2,583	325
Financial liabilities	809,955	365,047

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)	31.12.2016	31.12.2015
A. Cash	707	631
B. Other cash equivalents	243,318	136,137
C. Securities held for trading	-	-
D. Cash and cash equivalents	244,025	136,768
E. Current loan assets	3,491	6,192
F. Current bank loans and borrowings	(24,194)	(76,839)
G. Current portion of non-current debt	(15,328)	(29,604)
H. Other current loan liabilities	(25,826)	(23,313)
I. Current financial debt (F+G+H)	(65,348)	(129,756)
J. Net current financial position (debt) (I-E-D)	182,168	13,204
K. Non-current bank loans and borrowings	(744,606)	(235,291)
L. Bonds issued	-	-
M. Other non-current liabilities	-	-
N. Non-current financial debt (K+L+M)	(744,606)	(235,291)
O. Net financial debt (J+N)	(562,438)	(222,087)

The financial position with related parties includes credit positions of EUR 2.3 million (31 December 2015: EUR 1.7 million) and debit positions of EUR 1.5 million (31 December 2015: EUR 50 million).

18) Current tax liabilities

Current tax liabilities amounted to EUR 16,769 thousand (31 December 2015: EUR 10,172 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 10,084 thousand (31 December 2015: EUR 8,672 thousand) included approximately EUR 5.8 million of deferred income (31 December 2015: EUR 6.8 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 2.5 million (31 December 2015: EUR 3.3 million) is expected after five years, plus EUR 2.5 million for the deferred component of the price for the acquisition of the business division of Sacci (in liquidation), which must be paid at the end of July 2018.

Other current liabilities totalled EUR 59,007 thousand (31 December 2015: EUR 44,138 thousand) and break down as follows:

(EUR '000)	31.12.2016	31.12.2015
Personnel	28,167	16,027
Social security institutions	5,251	3,194
Deferred income	977	988
Accrued expenses	1,675	5,457
Other sundry liabilities	22,937	18,472
Other current liabilities	59,007	44,138

Deferred income refers to the future benefits of the above-mentioned business agreement (approximately EUR 0.9 million; in line with 31 December 2015).

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 146,262 thousand (31 December 2015: EUR 71,750 thousand) and deferred tax assets totalling EUR 73,274 thousand (31 December 2015: EUR 63,006 thousand) break down as follows:

(EUR '000)	Deferred tax liabilities	Deferred tax assets
Balance at 1 January 2016	71,750	63,006
Accrual, net of utilisation in profit or loss	6,083	11,799
Increase, net of decreases in equity	388	91
Change in consolidation scope	78,647	20
Translation differences	(10,594)	(1,629)
Other changes	(12)	(13)
Balance at 31 December 2016	146,262	73,274

(EUR '000)	01.01.2016	Accrual, net of utilisation in profit or loss	Increase, net of decreases in equity	31.12.2016
Fiscally-driven depreciation of property, plant and equipment	32,189	2,919	81,522	116,630
Fiscally-driven amortisation of intangible assets	15,841	(272)	(5,895)	9,674
Revaluation of plant	10,382	(758)	(546)	9,078
Other	13,338	4,194	(6,652)	10,880
Deferred tax liabilities	71,750	6,083	68,429	146,262
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	(17)	2,465
Other	7,057	437	3,969	11,463
Deferred tax assets	63,006	11,799	(1,531)	73,274

(EUR '000)	01.01.2015	Accrual, net of utilisation in profit or loss	Increase, net of decreases in equity	31.12.2015
Fiscally-driven depreciation of property, plant and equipment	37,850	(2,551)	(3,110)	32,189
Fiscally-driven amortisation of intangible assets	19,534	(1,749)	(1,944)	15,841
Revaluation of plant	11,980	(1,173)	(425)	10,382
Other	14,004	(408)	(258)	13,338
Deferred tax liabilities	83,368	(5,881)	(5,737)	71,750
Tax losses carried forward	50,196	(1,295)	(585)	48,316
Provisions for risks and charges	8,963	(728)	(602)	7,633
Other	10,633	349	(3,925)	7,057
Deferred tax assets	69,792	(1,674)	(5,112)	63,006

Deferred tax liabilities at 31 December 2016 include the effect of the change in the scope of consolidation of EUR 78.6 million pertaining to the acquisition of the CCB group mainly recorded due to differences in tangible assets (note 31).

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

21) Revenue

(EUR '000)	2016	2015
Product sales	939,790	919,386
Product sales - related parties (note 34)	19,790	18,420
Services	67,998	31,234
Revenue	1,027,578	969,040

Revenue was up 6.0% compared to 2015 due to the change in the scope of consolidation, which resulted in an increase in revenue of about EUR 60.5 million. Specifically, the revenue of Cementir Sacchi, included in the scope of consolidation as of 29 July 2016, amounted to EUR 21.8 million, while the revenue of the Compagnie des Ciments Belges group, included in the scope of consolidation as of 25 October 2016, amounted to EUR 38.7 million. On a like-for-like basis, revenues were essentially stable on 2015, despite the negative impact of the depreciation of the major foreign currencies compared to the euro.

22) Increase for internal work and other operating revenue

Increase for internal work of EUR 8,031 thousand (EUR 6,014 thousand in 2015) 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 29,527 thousand (EUR 25,934 thousand in 2015) breaks down as follows:

(EUR '000)	2016	2015
Rent, lease and hires	1,458	1,714
Rent, lease and hires - related parties (note 34)	32	11
Gains	1,176	1,968
Release of provision for risks	2,213	1,229
Insurance refunds	635	1,027
Revaluation of investment property (note 4)	-	15,374
Income from purchase price allocation (note 31)	15,078	-
Other revenue and income	7,986	4,590
Other revenue and income from related parties (note 34)	949	21
Other operating revenue	29,527	25,934

23) Raw materials costs

(EUR '000)	2016	2015
Raw materials and semi-finished products	225,776	201,016
Fuel	76,348	97,359
Electrical energy	87,349	79,119
Other materials	43,890	36,379
Change in raw materials, consumables and goods	(652)	(4,130)
Raw materials costs	432,711	409,743

The cost of raw materials was EUR 432.7 million was up due to the change in the scope of consolidation (EUR 24.8 million). On a like-for-like basis, the cost of raw materials fell slightly (-0.5%) thanks to a positive exchange rate effect of EUR 23.3 million and lower purchase costs for fuel and electricity, in particular in Denmark, Malaysia and Italy, which more than offset the increase in costs deriving from higher production volumes of cement in Denmark, China and Malaysia and of ready-mixed concrete in Turkey and Norway.

24) Personnel costs

(EUR '000)	2016	2015
Wages and salaries	132,881	122,019
Social security charges	24,537	20,538
Other costs	9,568	7,157
Personnel costs	166,986	149,714

The Group's workforce breaks down as follows:

	31.12.2016	31.12.2015	Average 2016	Average 2015
Executives	87	59	68	59
Middle management, white collars and intermediates	1,609	1,423	1,447	1,438
Blue collars	1,971	1,550	1,662	1,559
Total	3,667	3,032	3,177	3,056

At 31 December 2016, employees in service at the parent and the Italian subsidiaries including Cementir Sacci SpA numbered 749 (31 December 2015: 452); those at the Cimentas Group numbered 919 (31 December 2015: 1,047), those at the Aalborg Portland Group numbered 879 (31 December 2015: 861), those at the Unicon Group numbered 663 (31 December 2015: 672), and those at the CCB Group numbered 457.

25) Other operating costs

(EUR '000)	2016	2015
Transport	106,051	103,393
Services and maintenance	87,078	68,412
Consultancy	9,650	8,610
Insurance	4,852	4,151
Other services - related parties (note 34)	514	520
Rent, lease and hires	19,285	18,464
Rent, lease and hires - related parties (note 34)	1,642	1,662
Other operating costs	41,804	36,656
Other operating costs	270,876	241,868

26) Amortisation, depreciation, impairment losses and provisions

(EUR '000)	2016	2015
Amortisation	5,215	5,289
Depreciation	78,949	76,844
Provisions	7,994	2,647
Impairment losses	11,009	11,611
Amortisation, depreciation, impairment losses and provisions	103,167	96,391

Impairment losses include EUR 3.6 million in losses on trade receivables and EUR 7.4 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 positive balance for 2016 of EUR 23,936 thousand (2015: positive EUR 3,998 thousand) relates to the share of net profits of equity-accounted investees and net financial income, broken down as follows:

(EUR '000)	2016	2015
Share of profits of equity-accounted investees	6,452	5,353
Share of losses of equity-accounted investees	(1,325)	(288)
Share of net profits of equity-accounted investees	5,127	5,065
Interest and financial income	2,843	2,310
Interest and financial income - related parties (note 34)	22	259
Grants related to interest	-	169
Financial income on derivatives	581	6,795
<i>Total financial income</i>	<i>3,446</i>	<i>9,533</i>
Interest expense	(8,507)	(8,210)
Other financial expense	(3,479)	(2,183)
Interest and financial expense - related parties (note 34)	(2,445)	(1,737)
Losses on derivatives	(2,502)	(1,113)
<i>Total financial expense</i>	<i>(16,933)</i>	<i>(13,243)</i>
Exchange rate gains	47,289	15,695
Exchange rate losses	(14,993)	(13,052)
<i>Foreign exchange rate gains (losses)</i>	<i>32,296</i>	<i>2,643</i>
Net financial (income) expense	18,809	(1,067)
Net financial income (expense) and share of net profits of equity-accounted investees	23,936	3,998

Net financial income of EUR 19.9 million was an improvement compared to the previous year (positive EUR 4.0 million), driven by gains on exchange rate differences of EUR 32.3 million (EUR 2.6 million in 2015) as a result of the depreciation of the Egyptian pound, partly counterbalanced by the negative valuation of some financial derivatives hedging commodities, currencies and interest rates (expense of EUR 1.9 million compared to income of EUR 5.7 million in 2015) and also by higher borrowing costs (EUR 14.4 million compared to EUR 12.1 million in 2015) to finance acquisitions and to refinance existing credit facilities, which altered the Group's debt structure.

The share of net profits of equity-accounted investees was EUR 5.1 million, substantially stable on 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 0.2 million (31 December 2015: around EUR 4.9 million) are unrealised gains and around EUR 0.6 million (31 December 2015: around EUR 0.7 million) are unrealised losses.

28) Income taxes

(EUR '000)	2016	2015
Current taxes	38,962	30,749
Deferred taxes	(5,716)	(4,207)
Income taxes	33,246	26,542

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

(EUR '000)	2016	2015
Theoretical tax expense	20,546	22,247
Taxable permanent differences	5,436	2,261
Deductible permanent differences	[2,966]	[435]
Tax consolidation scheme	1,510	628
Other changes	8,892	1,918
Effective IRAP tax expense	[172]	[77]
Income taxes	33,246	26,542

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.

	2016	2015
Profit for the year attributable to the owners of the parent (EUR '000)	67,270	67,477
Weighted average number of outstanding ordinary shares ('000)	159,120	159,120
Basic earnings per share (EUR)	0.423	0.424

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 considering 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)	2016			2015		
	Pre-tax amount	Tax effect	Post-tax amount	Pre-tax amount	Tax effect	Post-tax amount
Actuarial gains (losses) on post-employment benefits	1,184	(298)	886	(754)	163	(591)
Foreign currency translation differences - foreign operations	(144,253)	-	(144,253)	(48,675)	-	(48,675)
Total other comprehensive income (expense)	(143,069)	(298)	(143,367)	(49,429)	163	(49,266)

31) Company acquisitions and sales**2016 acquisitions****ACQUISITION OF THE BUSINESS DIVISION OF SACCI SPA**

On 29 July 2016, the Group, through the subsidiary Cementir Sacci SpA, finalised the acquisition of the business division of Sacci SpA, operating in Italy, which includes activities in the cement, ready-mixed concrete and transport sectors. The amount initially agreed for the purchase was EUR 125 million.

The payment made at the closing was EUR 122.5 million, while the deferred component of EUR 2.5 million will be paid twenty-four months after the closing. The purchase agreement entailed a price adjustment mechanism linked to the change in the value of some statement of financial position items between the date of formulation of the initial offer and the closing date. At the end of the price adjustment procedure, the final purchase price for the Sacci SpA business unit amounted to EUR 116.1 million.

In order to fulfil the commitments arising from the aforementioned acquisition, on 25 July 2016, Cementir Holding SpA used a loan of EUR 125 million granted by the company subject to common control ICAL 2 SpA. The loan was used to increase the share capital of Cementir Italia SpA, which, in turn, increased the share capital of the subsidiary Cementir Sacci SpA. This loan was repaid on 30 November 2016.

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 assumed liabilities had been completed and the positive difference between the purchase price and the fair value of net assets acquired was recognised as goodwill.

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

(EUR '000)	Carrying amount	Adjustments	Fair Value as at 29.07.2016
Property, plant and equipment	21,836	80,885	102,721
Available-for-sale equity investments	198		198
Inventories	9,297		9,297
Trade receivables	6,767		6,767
Other current assets	9,818		9,818
Employee benefits	(5,022)	(663)	(5,685)
Other current liabilities	(8,773)		(8,773)
Total net assets acquired	34,121	80,222	114,343
Consideration for the acquisition			116,100
Goodwill	(note 1)		(1,757)

Recognition at fair value of the assets acquired and liabilities assumed resulted, in particular, in the recognition of property, plant and equipment of EUR 102.7 million in total for production plants. The goodwill from the acquisition amounted to EUR 1.8 million.

The Sacci business division, starting from the date of acquisition, has generated revenue of EUR 21.8 million and a loss for the period of around EUR 8 million.

The Sacci business division was acquired as part of a Court approved creditors' settlement and, therefore, it is not possible to state what the economic effects on the consolidated financial statements would have been had the acquisition taken place on 1 January 2016.

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 building materials in Belgium and operates in the cement, ready-mixed concrete and aggregate 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%)

The price initially determined for the acquisition was EUR 336.8 million, fully paid at the closing.

The price shall be adjusted in line with the terms of the purchase agreement. On the date of the preparation of these consolidated financial statements, the Directors estimated an additional consideration to be paid to the seller. 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 not yet been completed. The fair value of the net assets acquired was determined on a provisional basis.

The following table shows the provisional fair values that substantially match the carrying amount of the net assets acquired at the acquisition date:

(EUR '000)	Provisional amounts at 31.10.2016
Intangible assets with a finite useful life	39,147
Property, plant and equipment	331,208
Equity investments	281
Non-current financial assets	200
Deferred tax assets	20
Inventories	26,225
Trade receivables	48,616
Current tax assets	2,260
Other current assets	13,566
Employee benefits	(22,073)
Other non-current provisions	(1,732)
Deferred tax liabilities	(78,647)
Trade payables	(39,202)
Current financial liabilities	(342)
Current tax liabilities	(9,973)
Other current liabilities	(8,044)
Net assets acquired	301,510
Consideration net of available cash	286,432
Effect of bargain purchase gain	15,078

(note 22)

The provisional allocation of the acquisition price for the CCB Group included the recognition of a bargain purchase gain of EUR 15,078 thousand, posted in "Other Operating Revenue" in the consolidated income statement (note 22).

If, during the measurement period, new information obtained on facts and circumstances that existed at the date of acquisition within the time scale provided for by IFRS 3 shall result in an adjustment to the value allocated to the net assets acquired, the manner in which the acquisition was recognised shall be reviewed. Starting from the date of acquisition, the CCB Group has generated revenue of EUR 38.7 million and a profit for the period of around EUR 3.8 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.

32) Financial risks

Credit risk

The Group's maximum exposure to credit risk at 31 December 2016 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 67 million or approximately 6% in consolidated equity at 31 December 2016 (31 December 2015: decrease of EUR 68.9 million or approximately 6.1%). 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, USD and NOK. A hypothetical decrease of 10% in all these exchange rates (excluding the DKK) would have lowered EBITDA by EUR 12.2 million (2015: EUR 11.8 million).

At 31 December 2016, 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 1.6 million (31 December 2015: negative for approximately EUR 0.2 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 2016 totalled EUR 562.4 million (31 December 2015: EUR 222.1 million). The majority of it 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 3.9 million (31 December 2015: EUR 2.5 million) and on equity of EUR 2.9 million (31 December 2015: EUR 1.9 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: determination of fair value using quoted prices on active markets for identical assets or liabilities.
- Level 2: determination 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: determination 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
31 December 2016					
Investment property	4	-	69,698	29,125	98,823
Current financial assets (derivative instruments)	9	-	205	-	205
Total assets		-	69,903	29,125	99,028
Current financial liabilities (derivative instruments)	17	-	(12,534)	-	(12,534)
Total liabilities		-	(12,534)	-	(12,534)
31 December 2015					
Investment property	4	-	87,020	29,125	116,145
Current financial assets (derivative instruments)	9	-	1,326	-	1,326
Total assets		-	88,346	29,125	117,471
Current financial liabilities (derivative instruments)	17	-	(12,992)	-	(12,992)
Total liabilities		-	(12,992)	-	(12,992)

No transfers among the levels took place during 2016 and no changes in level 3 were made.

34) Related party transactions

On 5 November 2010, the Board of Directors of Cementir Holding SpA approved and subsequently updated a new procedure for related party transactions complying with CONSOB guidelines, issued pursuant to CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions thereto, designed to ensure the transparency and the substantial and procedural fairness of related party transactions within the Group.

The procedure is published on the corporate website www.cementirholding.it.

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

(EUR '000)	Ultimate parent	Associates	Companies under common control	Other related parties	Total related parties	Total related parties	% of caption
31 December 2016							
Statement of financial position							
Current financial assets	-	-	-	-	-	-	-
Other current assets	-	3,672	-	-	3,672	56,994	6.4%
Other non-current assets	-	-	2,713	-	2,713	11,075	24.5%
Trade receivables	50	3,471	3,425	-	6,946	236,498	2.9%
Cash and cash equivalents	-	-	-	2,251	2,251	244,025	0.9%
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	-	-	-	1,462	1,462	65,349	2.2%
Income statement							
Revenue	-	18,570	1,220	-	19,790	1,027,578	1.9%
Other operating revenue	-	-	981	-	981	29,527	3.3%
Other operating costs	450	-	1,706	-	2,156	270,876	0.8%
Financial income	-	22	-	-	22	3,446	0.6%
Financial expense	-	-	652	1,793	2,445	16,933	14.4%

(EUR '000)	Ultimate parent	Associates	Companies under common control	Other related parties	Total related parties	Total related parties	% of caption
31 December 2015							
Statement of financial position							
Current financial assets	-	4,155	-	-	4,155	6,192	67.1%
Trade receivables	-	3,589	595	-	4,184	174,139	2.4%
Cash and cash equivalents	-	-	-	1,720	1,720	136,768	1.3%
Trade payables	-	4	74	-	78	180,544	0.0%
Other non-current liabilities	-	1,864	-	-	1,864	8,672	21.5%
Non-current financial liabilities	-	-	-	50,000	50,000	235,291	21.3%
Current financial liabilities	-	-	-	-	-	-	-
Income statement							
Revenue	-	17,623	797	-	18,420	969,040	1.9%
Other operating revenue	-	-	32	-	32	25,934	0.1%
Other operating costs	450	-	1,732	-	2,182	241,868	0.9%
Financial income	-	259	-	-	259	9,533	2.7%
Financial expense	-	-	-	1,737	1,737	13,243	13.1%

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. As concerns companies under common control, Cementir Group has long sold cement to Caltagirone Group companies. Specifically, in 2016, the Group sold 11,543 tons of cement at arm's-length conditions to Vianini Industria (2015: 10,403 tons). Revenue and costs connected with business transactions with the ultimate parent and companies under common control include various services, such as leases.

As concerns transactions of a financial nature, there are no non-current financial liabilities (at 31 December 2015 the figure of EUR 50 million referred to a floating-rate loan held with Banca UniCredit, which was repaid on 30 November 2016).

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 2016.

As at 31 December 2016, fees due to directors and key management personnel stood at EUR 7,672 thousand.

35) Independent auditors' fees

Fees paid in 2016 by the parent Cementir Holding SpA and its subsidiaries to the independent auditors and their network totalled approximately EUR 1,280 thousand (2015: EUR 1,242 thousand), including EUR 853 thousand for auditing (2015: EUR 785 thousand) and EUR 427 thousand for other services (2015: EUR 457 thousand).

36) Events after the reporting period

There are no significant events to report.

Annex

List of equity investments at 31 December 2016

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	Dover (USA)	1,000	USD		100	Aalborg Portland US Inc	Line-by-line
Aalborg Portland Holding A/S	Aalborg (Denmark)	300,000,000	DKK		75 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 España SL	Madrid (España)	3,004	EUR		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland France SAS	Paris (France)	10,000	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	Dover (USA)	1,000	USD		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland (Anqing) Co Ltd	Anqing (China)	265,200,000	CNY		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland (Australia) Pty Ltd	Sydney (Australia)	1,000	AUD		100	Aalborg Portland Malaysia Sdn Bhd	Line-by-line
Aalborg Portland 000	St. Petersburg (Russia)	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	Malmö (Sweden)	500,000	SEK		40	AB Sydsten	Equity
Alfacem Srl	Rome (Italy)	1,010,000	EUR	99.99		Cementir Holding SpA	Line-by-line
Basi 15 Srl	Rome (Italy)	400,000	EUR	100		Cementir Holding SpA	Line-by-line
Betontir SpA	Rome (Italy)	104,000	EUR		99.89	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 (TR)	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)	Guerville (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	Trowbridge (Great Britain)	100	GBP		50	Recydia AS	Equity
Everts Betongpump & Entreprenad AB	Halmstad (Sweden)	100,000	SEK		100	AB Sydsten	Line-by-line
Gaetano Cacciatore LLC	Somerville N.J. (USA)	-	USD		100	Aalborg Cement Company Inc	Line-by-line

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	Soma (Turkey)	300,000	TRY		100	Cimbeton AS	Line-by-line
Kars Cimento AS	Kars (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	Lancashire (Great Britain)	100,000	GBP		100	NWM Holdings Ltd	Line-by-line
NWM Holdings Ltd	Lancashire (Great Britain)	5,000,001	GBP		100	Recydia AS	Line-by-line
Quercia Ltd	Lancashire (Great Britain)	5,000,100	GBP		100	NWM Holdings Ltd	Line-by-line
Recybel SA	Liegi-Flemalle (Belgium)	99,200	EUR		25.2	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		57.14	Aalborg Portland Holding A/S	Line-by-line
Skane Grus AB	Malmö (Sweden)	1,000,000	SEK		60	AB Sydsten	Line-by-line
Société des Carrières du Tournais SA	Gaurain (Belgium)	12,297,035	EUR		65	Compagnie des Ciments Belges SA	Proportionate
Sola Betong AS	Risvika (Norway)	9,000,000	NOK		33.33	Unicon AS	Equity
Sureko AS	Izmir (Turkey)	43,443,679	TRY		100	Recydia AS	Line-by-line
Svim 15 Srl	Rome (Italy)	400,000	EUR	100		Cementir Holding SpA	Line-by-line
Trabel Affretement SA	Gaurain (Belgium)	61,500	EUR		100	Compagnie des Ciments Belges SA	Line-by-line
Trabel Transports SA	Gaurain (Belgium)	750,000	EUR		100	Compagnie des Ciments Belges SA	Line-by-line
Unicon A/S	Copenhagen (Denmark)	150,000,000	DKK		100	Aalborg Portland Holding A/S	Line-by-line
Unicon AS	Sandvika (Norway)	13,289,100	NOK		100	Unicon A/S	Line-by-line
Vianini Pipe Inc	Somerville N.J. (USA)	4,483,396	USD		99.99	Aalborg Portland US Inc	Line-by-line

Rome, 3 March 2017

Chairman of the Board of Directors
Francesco Caltagirone Jr.

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 2016.

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 company documents, books and accounting 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 single 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, 3 March 2017

Francesco Caltagirone Jr.
Chairman of the Board of Directors

Massimo Sala
Manager responsible for
financial reporting



Gaurain Plant BELGIUM



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

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Cementir Holding Group (the "group"), which comprise the statement of financial position as at 31 December 2016, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The parent's 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal controls.

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.

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20124 Milano MI ITALIA



Cementir Holding Group
Independent auditors' report
 31 December 2016

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the parent's directors, with the consolidated financial statements. In our opinion, the directors' report and the 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 as at and for the year ended 31 December 2016.

Rome, 27 March 2017

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
 Director of Audit



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Financial Statements

Statement of financial position

[EUR]	Note	31 December 2016	31 December 2015
ASSETS			
Intangible assets	1	2,749,176	2,487,309
Property, plant and equipment	2	418,725	418,953
Investment property	3	23,000,000	23,000,000
Investments in subsidiaries	4	495,747,996	365,462,398
Non-current financial assets	5	329,685,497	55,581
Deferred tax assets	17	50,200,188	42,131,412
TOTAL NON-CURRENT ASSETS		901,801,582	433,555,653
Trade receivables	6	19,550,866	19,626,083
- Trade receivables - third parties		421,861	774,579
- Trade receivables - related parties	30	19,129,005	18,851,504
Current financial assets	7	259,686,618	224,723,218
- Current financial assets - third parties		899,099	369,707
- Current financial assets - related parties	30	258,787,519	224,353,511
Current tax assets	8	4,758,111	5,069,024
Other current assets	9	1,320,830	1,119,950
- Other current assets - third parties		809,134	531,076
- Other current assets - related parties	30	511,696	588,874
Cash and cash equivalents	10	5,709,512	4,352,151
- Cash and cash equivalents - third parties		3,999,714	2,890,334
- Cash and cash equivalents - related parties	30	1,709,798	1,461,817
TOTAL CURRENT ASSETS		291,025,937	254,890,426
TOTAL ASSETS		1,192,827,518	688,446,079
EQUITY AND LIABILITIES			
Share capital	11	159,120,000	159,120,000
Share premium reserve	12	35,710,275	35,710,275
Other reserves	13	292,220,629	311,659,202
Profit (loss) for the year		(5,880,637)	(3,514,192)
TOTAL EQUITY		481,170,267	502,975,285
Employee benefits	14	448,080	453,845
Non-current financial liabilities	15	635,927,167	66,890,168
- Non-current financial liabilities - third parties		635,927,167	16,890,168
- Non-current financial liabilities - related parties	30	-	50,000,000
Deferred tax liabilities	17	4,238,995	4,238,995
TOTAL NON-CURRENT LIABILITIES		640,614,242	71,583,008
Trade payables	16	3,020,217	2,852,921
- Trade payables - third parties		2,465,918	2,397,121
- Trade payables - related parties	30	554,299	455,800
Current financial liabilities	15	26,468,158	75,487,092
- Current financial liabilities - third parties		25,006,003	75,487,092
- Current financial liabilities - related parties	30	1,462,155	-
Current tax liabilities	17	-	50,457
Other current liabilities	18	41,554,634	35,497,317
- Other current liabilities - third parties		3,882,733	3,951,355
- Other current liabilities - related parties	30	37,671,901	31,545,962
TOTAL CURRENT LIABILITIES		71,043,009	113,887,786
TOTAL LIABILITIES		711,657,252	185,470,794
TOTAL EQUITY AND LIABILITIES		1,192,827,518	688,446,079

Income statement

[EUR]	Note	2016	2015
REVENUE	19	20,942,421	17,862,907
- Revenue - related parties	30	20,942,421	17,862,907
Increase for internal work	20	905,102	664,020
Other operating revenue	21	246,000	379,670
- Other operating revenue - third parties		246,000	379,670
TOTAL OPERATING REVENUE		22,093,523	18,906,597
Personnel costs	22	(8,714,313)	(8,615,104)
- Personnel costs - third parties		(8,714,313)	(8,615,104)
Other operating costs	23	(12,797,928)	(12,284,019)
- Other operating costs - third parties		(10,623,928)	(10,390,387)
- Other operating costs - related parties	30	(2,174,000)	(1,893,632)
TOTAL OPERATING COSTS		(21,512,241)	(20,899,123)
EBITDA		581,282	(1,992,526)
Amortisation, depreciation, impairment losses and provisions	24	(1,142,704)	(860,587)
EBIT		(561,422)	(2,853,113)
Financial income	25	4,055,810	7,063,799
- Financial income - third parties		793,466	5,108,850
- Financial income - related parties	30	3,262,344	1,954,949
Financial expense	25	(11,411,549)	(6,406,886)
- Financial expense - third parties		(8,966,209)	(4,669,720)
- Financial expense - related parties	30	(2,445,340)	(1,737,166)
NET FINANCIAL INCOME (EXPENSE)		(7,355,739)	656,913
PROFIT (LOSS) BEFORE TAXES		(7,917,161)	(2,196,200)
Income taxes	26	2,036,524	(1,317,992)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(5,880,637)	(3,514,192)
PROFIT (LOSS) FOR THE YEAR		(5,880,637)	(3,514,192)

Statement of comprehensive income

[EUR]	Note	2016	2015
PROFIT (LOSS) FOR THE YEAR		(5,880,637)	(3,514,192)
OTHER COMPREHENSIVE INCOME (EXPENSE):			
Items that will never be reclassified to profit (loss):			
Actuarial gains (losses) on post-employment benefits	27	(15,180)	(6,739)
Taxes related to equity	27	2,798	1,853
Total items that will never be reclassified to profit (loss)		(12,382)	(4,886)
COMPREHENSIVE INCOME (EXPENSE)		(5,893,019)	(3,519,078)



Maddaloni Quarry ITALY

Statement of changes in equity

[EUR '000]	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Reserve for grants related to assets
Equity at 1 January 2015	159,120	35,710	97,733	31,824	13,207
Allocation of 2014 profit (loss)			-		
Distribution of 2014 dividends					
Total owner transactions	-	-	-	-	-
Net actuarial gains (losses)					
Total other comprehensive income	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-
Equity at 31 December 2015	159,120	35,710	97,733	31,824	13,207
Equity at 1 January 2016	159,120	35,710	97,733	31,824	13,207
Allocation of 2015 profit (loss)					
Distribution of 2015 dividends					
Total owner transactions	-	-	-	-	-
Net actuarial gains (losses)					
Total other comprehensive income	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	-
Equity at 31 December 2016	159,120	35,710	97,733	31,824	13,207

Other reserves					Retained earnings	Profit (loss) for the year	Total equity
Reserve as per art. 15 of Law No. 67/88	Reserve as per Law No 346/95	Goodwill arising on merger	Other IFRS reserves	Actuarial reserves			
138	41	98,076	94,196	(130)	67,944	(75,453)	522,406
			(75,453)			75,453	-
					(15,912)		(15,912)
-	-	-	(75,453)	-	(15,912)	75,453	(15,912)
				(5)			(5)
-	-	-	-	(5)	-	-	(5)
-	-	-	-	-	-	(3,514)	(3,514)
138	41	98,076	18,743	(135)	52,032	(3,514)	502,975
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

Statement of cash flows

[EUR '000]	Note	31 December 2016	31 December 2015
Profit (loss) for the year		(5,881)	(3,514)
Amortisation and depreciation	24	1,143	861
Net financial income (expense)	25	7,356	(657)
- <i>third parties</i>		8,173	(439)
- <i>related parties</i>		(817)	(218)
Income taxes	26	(2,037)	1,318
Change in employee benefits		(27)	2
Operating cash flows before changes in working capital		554	(1,990)
(Increase) Decrease in trade receivables - third parties		353	(651)
(Increase) Decrease in trade receivables - related parties		(278)	(3,040)
Increase (Decrease) in trade payables - third parties		(585)	(707)
Increase (Decrease) in trade payables - related parties		98	(10)
Change in other non-current and current assets and liabilities - third parties		(6,116)	566
Change in other non-current and current assets and liabilities - related parties		6,203	(1,250)
Operating cash flows		230	(7,082)
Interest collected		1,532	180
Interest paid		(6,488)	(5,960)
Other income (expense) collected (paid)		(2,812)	494
Income taxes paid		-	(352)
CASH FLOWS USED IN OPERATING ACTIVITIES (A)		(7,538)	(12,720)
Investments in intangible assets		(682)	(1,021)
Investments in property, plant and equipment		(69)	(58)
Acquisitions of equity investments		(130,286)	-
Proceeds from the sale of property, plant and equipment		-	-
Proceeds from the sale of equity investments		-	45,503
CASH FLOWS USED IN INVESTING ACTIVITIES (B)		(131,036)	44,424
Change in non-current financial assets and liabilities - third parties		619,037	(9,743)
Change in non-current financial assets and liabilities - related parties		(379,630)	-
Change in current financial assets and liabilities - third parties		(52,626)	39,401
Change in current financial assets and liabilities - related parties		(30,938)	(44,365)
Dividends distributed		(15,912)	(15,912)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		139,931	(30,619)
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		1,357	1,085
Opening cash and cash equivalents	10	4,352	3,267
Closing cash and cash equivalents	10	5,710	4,352

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 Italian 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 2016:

1) Francesco Gaetano Caltagirone – 104,921,927 shares (65.939%). 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%)
 - Lav 2004 Srl – 40,543,880 shares (25.480%)
 - 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%)
 - Caltagirone SpA – 2,533,226 shares (1.592%)

2) Francesco Caltagirone 8,020,299 shares (5.040%). The shareholding is held as follows:

- Direct ownership of 2,520,299 shares (1.584%)
- Indirect ownership through the company Chupas 2007 Srl 5,500,000 shares (3.457%).

On 3 March 2017, the Company's Board of Directors approved these separate financial statements at 31 December 2016 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 2015. 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".

Standards and amendments to standards adopted by the Company

a) Commencing as of 1 January 2016, the Company has adopted the following new accounting standards:

- "Equity Method in Separate Financial Statements (Amendments to IAS 27)". This document was endorsed by the European Union through Regulation No. 2441 of 23 December 2015. The amendments permit entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IAS 1 - *Presentation of Financial Statements*. These amendments were endorsed by the European Union through Regulation No. 2406 of 19 December 2015. The project was part of the IASB's overall *Disclosure Initiative*, the objective of which is to improve the presentation and disclosure of financial information in financial reports and resolve certain issues raised by operators.
- *Annual Improvements to IFRSs: Cycle 2012–2014*. This document was endorsed by the European Union through Regulation No. 2343 of 16 December 2015. The amendments introduced affect the following standards: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 – *Financial Instruments: Disclosure*, IAS 19 – *Employee Benefits*, IAS 34 – *Interim Financial Reporting*.
- *Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)*"; these amendments clarify that a revenue-based method of amortisation is not considered appropriate because it represents the generation of economic benefits from an asset rather than the consumption of the economic benefits embodied in the asset. These amendments were endorsed by the European Union through Regulation No. 2015 of 3 December 2015.
- *Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements)*". This document was endorsed by the European Union through Regulation No. 2173 of 25 November 2015. The amendments to IFRS 11 clarify the most appropriate approach to account for the acquisition of an interest in a joint operation that is a business.
- Amendments to IAS 16 and IAS 41 concerning bearer plants. The amendments – endorsed by the European Union in Regulation No. 2113 of 24 November 2015 – permit bearer plants to be recognised at cost instead of fair value, while continuing to require that harvests be measured at fair value.
- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*. The objective of the amendment, endorsed by the European Union by Regulation No. 1703 of 23 September 2016, is to address three issues relating to the consolidation of investment entities.

b) Standards and interpretations of standards applicable for years starting after 2016 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 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 1905 of 29 October 2016, is applicable starting from years commencing on or after 1 January 2018. Early application is permitted. The Company has not opted for the early adoption of endorsed standards, interpretations and amendments whose mandatory application is after the reporting date.

The Company is assessing the possible effects of the application of the new standards and amendments. Based on its preliminary assessment, the company does not expect their application will have a significant effect on the separate financial statements.

c) Standards and interpretations to be applied shortly:

At the date of approval of these separate 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 30 January 2014, the IASB published IFRS 14 – *Regulatory Deferral Accounts*. The standard permits first-time adopters that operate in sectors subject to rate regulation to continue to account, with some limited changes, for “regulatory deferral account balances” in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. However, it requires that regulatory deferral account balances, and movements in them, are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, and specific disclosures are required in the notes. As it stands, the European Commission has decided to suspend the Endorsement Process pending the IASB issuing the definitive accounting standard.
- 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*. EFRAG is expected to conclude due process in the first quarter of 2017.
- 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. Entry into force of this amendment, whose endorsement by the EU is expected in the second quarter of 2017, is also scheduled for 1 January 2018.
- On 11 September 2014, the IASB published *Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*, with a view to resolving the conflict between IAS 28 and IFRS 10. Under IAS 28, the gain or loss resulting from the sale or contribution of non-monetary assets to a joint venture or associate in exchange for an equity stake in the entity is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. In contrast, IFRS 10 requires the recognition of the full gain or loss upon loss of control, even if the entity continues to hold a non-controlling interest in the associate, also in the case of the sale or contribution of a subsidiary to a joint venture or associate. The amendments introduced clarify that in the case of the sale or contribution of assets or a subsidiary to a joint venture or an associate, the extent to which the resulting gain or loss is recognised in the financial statements of the seller/contributor depends on whether the assets or subsidiary transferred constitute a business, as defined in IFRS 3. If the assets or subsidiary transferred represent a business, then the entity is required to recognise the full gain or loss on the entire equity interest formerly held; if the assets or subsidiary transferred do not constitute a business, only a partial gain or loss is to be recognised in relation to the equity interest still held by the entity. In December 2015 the IASB published the Amendment that indefinitely defers the effective date of the amendments to IFRS 10 and IAS 28, ahead of the completion of the IASB project on the equity method.

- On 19 January 2016, the IASB published a number of amendments to IAS 12 – Income Tax. “Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)” that aim to clarify how to account for deferred financial assets relative to debt instruments measured at fair value. The amendments will become effective as of 1 January 2017. Early application is permitted. Endorsement by the EU is expected in the second quarter of 2017.
- On 29 January 2016, the IASB published a number of amendments to IFRS 7 – Statement of cash flows. The Disclosure Initiative (Amendments to IAS 7) aims to improve the presentation and disclosure of financial information in financial reports and resolve certain issues raised by operators. The amendments will become effective as of 1 January 2017. Endorsement by the EU is expected in the second quarter of 2017.
- 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 is expected in the second quarter of 2017.
- 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 is expected in the third quarter of 2017.
- 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 second half of 2017.
- On 8 December 2016, the IASB published “*Annual Improvements to IFRS Standards Cycle 2014-2016*”. The amendments adopted, which form an ordinary part of the rationalisation and clarification of international accounting standards, 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*. Endorsement by the EU is expected in the second half of 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. The amendments to IFRS 12 are applicable starting from annual reporting periods commencing on or after 1 January 2017.
- 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 second half of 2017.
- IFRS 9 - Financial instruments: the principle significantly amends the way in which financial instruments are treated and, in its final version, shall replace IAS 39. The impact of the adoption of this principle on the Company is currently being assessed.
- IFRS 15 - Revenue from contracts with customers: the principle redefines recognition methods for revenues, which must be recognized at the time the title of goods or services to is transferred to customers, and sets out additional information to be provided. The impact of the adoption of this principle on the Company is currently being assessed.

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.

Basis of presentation

The separate financial statements at 31 December 2016 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.

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 Cementir Holding SpA has significant influence, but not control or joint control, over their 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 and loss under amortisation, depreciation and impairment losses.

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 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 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 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 obligation¹ 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.

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.

¹ Discounting uses the curve of the IRS rates equal to the term of the relevant observation period (50 years).

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. They are offset when the taxes are imposed by the same tax authority, the Company has the legal right to offset them and the net balance is expected to be paid.

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 real estate investments: 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

Cementir Holding SpA 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. It carefully assesses expected interest rates and timeframes for the repayment of debt by using estimated cash inflows and purchases interest rates swaps to partly cover the risk.

Notes to the separate financial statements

1) Intangible assets

Intangible assets, totalling EUR 2,749 thousand (31 December 2015: EUR 2,487 thousand) included costs incurred to purchase and implement IT software. The increase compared to the previous year reflects the greater investments made by the Parent 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 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
Gross amount at 1 January 2015	4,958	-	4,958
Increase	1,784	494	2,278
Gross amount at 31 December 2015	6,742	494	7,236
Amortisation at 1 January 2015	4,014	-	4,014
Increase	735	-	735
Amortisation at 31 December 2015	4,749	-	4,749
Net amount at 31 December 2015	1,993	494	2,487

The Group spent approximately EUR 905 thousand on research and development during the year (EUR 664 thousand as at 31 December 2015), all of which was recognised in the income statement.

2) Property, plant and equipment

At 31 December 2016, the caption totalled EUR 419 thousand (31 December 2015: 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 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
Gross amount at 1 January 2015	1,064	1,064
Increase	-	-
Gross amount at 31 December 2015	1,064	1,064
Depreciation at 1 January 2015	621	621
Increase	24	24
Depreciation at 31 December 2015	645	645
Net amount at 31 December 2015	419	419

3) Investment property

Investment property, totalling EUR 23,000 thousand (unchanged from last year), is recognised at fair value, as determined using appraisals prepared by a 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 7,932 thousand at 31 December 2016.

4) Investments in subsidiaries

Totalling EUR 495,748 thousand (31 December 2015: EUR 365,462 thousand) the caption breaks down as follows:

[EUR '000]	Currency	Registered office	Investment %	Carrying amount at 31.12.2016	Investment %	Carrying amount at 31.12.2015
Cementir España SL	EUR	Madrid (Spain)	100.00%	206,735	100.00%	206,735
Alfacem Srl	EUR	Rome (Italy)	99.99%	85,220	99.99%	85,220
Cementir Italia SpA	EUR	Rome (Italy)	99.99%	202,707	99.99%	72,707
Basi 15 Srl	EUR	Rome (Italy)	99.99%	686	99.99%	400
Svim 15 Srl	EUR	Rome (Italy)	99.99%	400	99.99%	400
Equity investments				495,748		365,462

The change compared to 31 December 2015, equal to EUR 130,286 thousand, is due to the increase in the equity investments in Cementir Italia SpA, following a EUR 40.0 million share capital increase and a share premium of EUR 90.0 million, and Basi 15 Srl, following a quote capital increase of EUR 286 thousand to cover past losses.

In addition, the carrying value of Cementir Italia was verified through impairment testing conducted by comparing the carrying amount with the investee's value in use, determined using the discounted cash flow (DCF) method applied to future cash flows. Cash flow was projected using budget forecasts for 2017 and for the subsequent four years while the terminal value was determined using a perpetual growth rate of 1.5%. The discount rate applied to the estimated future cash flows was determined using a weighted average cost of capital (WACC) equal to 6.6%. The company did not identify any indication of impairment. However, a sensitivity analysis of the parameters used for the impairment test showed that the estimated recoverable amount of Cementir Italia is influenced by the discount rate and the growth rate used, as well as the company's ability to achieve the forecast business and financial performance.

All investments in subsidiaries are in unlisted companies.

5) Non-current financial assets

Totalling EUR 329,685 thousand (31 December 2015: EUR 56 thousand). The increase in non-current financial assets is due to a two-year loan of EUR 330,000 thousand 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 loan was recognised using the amortised cost method. The caption also includes receivables for guarantee deposits due in less than five years.

6) Trade receivables

Trade receivables totalled EUR 19,551 thousand (31 December 2015: EUR 19,626 thousand) and break down as follows:

(EUR '000)	31.12.2016	31.12.2015
Trade receivables from third parties	422	774
Allowances for impairment	-	-
Trade receivables - subsidiaries (note 30)	19,079	18,852
Trade receivables - other group companies (note 30)	50	-
Trade receivables	19,551	19,626

The carrying amount of trade receivables approximates their fair value.

The breakdown by due date of trade receivable from third parties is shown below:

(EUR '000)	31.12.2016	31.12.2015
Not yet due	422	774
Overdue	-	-
Allowances for impairment	-	-
Total trade receivables from third parties	422	774

Trade receivables due from subsidiaries refer to consultancy services provided to them and royalties on their use of the trademark.

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 totalled EUR 259,687 thousand (31 December 2015: EUR 224,723 thousand) and consisted of: interest-bearing revocable loans at a rate of 2% to the subsidiary Cementir Italia SpA (EUR 216,000 thousand) and at a rate of 0.15% to the subsidiaries Basi 15 Srl (EUR 3,244 thousand) and Svim 15 Srl (EUR 830 thousand); a non-interest-bearing revocable loan for EUR 38,648 thousand granted to the subsidiary Alfacem Srl; a non-interest bearing revocable loan for EUR 103 thousand to the subsidiary Cementir Espana SL; and the positive fair value of a number of interest rate, commodity and exchange rate hedging derivatives worth EUR 205 thousand.

The rise in the caption compared to 2015 was due to higher loans to Cementir Italia SpA and Alfacem Srl for the purposes of optimising Group treasury management and to cover the subsidiaries' funding requirements. The caption also includes EUR 694 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 4,758 thousand (31 December 2015: EUR 5,069 thousand) and consisted of IRES and IRAP payments on account to the tax authorities in the current and previous years (EUR 1,726 thousand), IRES reimbursements requested for the non-deductibility of IRAP in previous years (EUR 1,009 thousand) and withholdings on royalties from the use of the trademark by the Turkish subsidiary Cimentas (EUR 2,023 thousand).

9) Other current assets

The caption totalled EUR 1,321 thousand (31 December 2015: EUR 1,120 thousand) and breaks down as follows:

(EUR '000)		31.12.2016	31.12.2015
Subsidiaries (IRES tax consolidation scheme)	(note 30)	512	589
Prepayments		155	312
VAT assets		520	112
Other receivables		134	107
Other current assets		1,321	1,120

10) Cash and cash equivalents

This caption, totalling EUR 5,710 thousand (31 December 2015: EUR 4,352 thousand) consists of cash and cash equivalents held by the Company and breaks down as follows:

(EUR '000)		31.12.2016	31.12.2015
Bank deposits		3,996	2,887
Bank deposits - related parties	(note 30)	1,710	1,462
Cash-in-hand and cash equivalents		3	3
Cash and cash equivalents		5,710	4,352

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 2016, totalling EUR 35,710 thousand, is unchanged from the previous year end.

13) Other reserves

Other reserves totalled EUR 292,221 thousand (31 December 2015: EUR 311,659 thousand) and break down as follows:

(EUR '000)		31.12.2016	31.12.2015
Monetary revaluation reserves		97,733	97,733
Legal reserve		31,824	31,824
Other reserves		111,462	111,462
Other IFRS reserves		15,082	18,608
Retained earnings		36,121	52,032
Other reserves		292,221	311,659

Other IFRS reserves break down as follows:

(Euro '000)	31.12.2016	31.12.2015
Fair value reserves – property, plant and equipment	15,168	18,682
Discounting reserves – financial liabilities	61	61
Actuarial reserves	(147)	(135)
Total other IFRS reserves	15,082	18,608

Equity captions

The following table shows the origin, possible use and availability of equity captions:

(EUR '000)	Nature / Description	Amount	Possible use	Available portion	Summary of utilisation in previous three years	
					to cover losses	for other reasons
	Share Capital	159,120				
	Share premium reserve	35,710	A,B,C	35,710		
	Revaluation reserve, as per Law 342/2000 for 2000 and 2003	97,733	A,B,C	97,733		
	Legal reserve	31,824	B	31,824		
	Reserve for grants related to assets	13,207	A,B	13,207		
	Reserve as per article 15 of Law n.67 11/3/88	138	A,B	138		
	Reserve as per Law 349/95	41	A,B	41		
	Negative goodwill	98,076	A,B,C	98,076		
	Other IFRS reserves - Revaluation reserve as per Law 266/05	10,059	A,B,C	10,059	80,576	
	Other IFRS reserves	5,023				
	Retained earnings	36,121	A,B,C	36,121	-	44,554
	Total	327,932		322,909	80,576	44,554
	Non-distributable portion			45,210		
	Remaining distributable portion			277,699		

Key: A for capital increases B to cover losses C for dividend distributions

The reserves that form part of the company's taxable profit if distributed total EUR 107,792 thousand.

The non-distributable portion includes the legal reserve, the reserve for grants related to assets, the reserve as per art. 15 of Law 67 of 11/3/88 and the reserve as per Law 349/95.

Dividends

On 3 March 2017, the Board of Directors proposed that a dividend of EUR 0.10 per ordinary share be distributed to the shareholders, for a total of EUR 15,912 thousand.

During the year, the company distributed a total of EUR 15,912 thousand in dividends to shareholders for 2015, corresponding to EUR 0.10 per ordinary share.

14) Employee benefits

Post-employment benefits totalled EUR 448 thousand (31 December 2015: EUR 454 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 %	31.12.2016	31.12.2015
Annual discount rate	0.85%	1.40%
Annual post-employment benefits growth rate	2.62%	2.62%

Changes in the liability are shown below:

(EUR '000)	31.12.2016	31.12.2015
Net opening balance	454	438
Current service cost	-	-
Financial expense	6	7
Payments of post-employment benefits	(72)	-
Net actuarial losses recognised in the year	15	7
(Contributions received)	45	2
(Benefits paid)	-	-
Net closing balance	448	454

15) Financial liabilities

Non-current and current financial liabilities are shown below:

(EUR '000)	31.12.2016	31.12.2015
Bank loans and borrowings	635,927	16,890
Bank loans and borrowings - related parties (note 30)	-	50,000
Non-current financial liabilities	635,927	66,890
Bank loans and borrowings	-	53,150
Bank loans and borrowings - related parties (note 30)	1,462	-
Current portion of non-current financial liabilities	11,133	9,856
Fair value of derivatives	12,398	12,346
Other loan liabilities	1,476	135
Current financial liabilities	26,468	75,487
Total financial liabilities	662,395	142,377

Non-current bank loans and borrowings, totalling EUR 635,927 thousand, include: a floating-rate mortgage loan of EUR 7,083 thousand (6M Euribor + spread of 0.75%) granted by Banca Intesa SpA on property owned by the company in Torrespaccata, due in 2024; and a syndicated loan of EUR 628,844 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.

At 31 December 2016, EUR 645 million of these lines of credit had been used.

The financing comprises three distinct lines of credit:

- Credit Line A (medium-long term) of EUR 315 million to be repaid over a five-year plan starting from 25 October 2016, with the first instalment due on 30 June 2017, of which EUR 205 million had been used at 31 December 2016;
- Credit Line B ("bridge" loan) of EUR 330 million to be repaid in a single instalment 18 months after 25 October 2016 (subject to Cementir Holding SpA's exclusive right to extend it for a further 6 months), all of which had been used at 31 December 2016;
- Revolving Credit Line of EUR 150 million, fully repayable at the end of the fifth year after 25 October 2016, of which EUR 110 million had been used at 31 December 2016.

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 2016 have been met by the Company.

In particular, the covenants to be complied with are the ratio between Net financial position and EBITDA at consolidated level and between EBITDA and Net financial expenses.

The current portion of non-current financial liabilities includes repayment instalments on the floating-rate loan (6M Euribor + spread of 0.75%) granted by Banca Intesa SpA due in 2016 (EUR 882 thousand) secured by a company-owned property in Torrespaccata as well as the current portion of the syndicated loans (EUR 10,250 thousand).

Other loan liabilities, totalling EUR 1,476 thousand, mainly consist of accrued interest due on non-current loans.

The negative fair value of derivatives totalled approximately EUR 12,398 thousand; the figure is related to the fair value measurement at 31 December 2016 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 2016, 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 2016 amounted to EUR 13,056 thousand. They include a surety of EUR 7,592 thousand (GBP 6.5 million) given to Intesa San Paolo Spa for the subsidiaries Quercia Limited and Neales Waste Management, and a surety of EUR 5,464 thousand (CNY 40 million) to BNP Paribas China Ltd for the subsidiary Aalborg Portland Anqing.

Sureties in GBP and CNY were translated into Euros at the exchange rates effective at 31 December 2016, equal to EUR/GBP 0.856 and EUR/CNY 7.320.

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

(EUR '000)	31.12.2016	31.12.2015
Within three months	1,462	53,158
- third parties	-	53,158
- related parties (note 30)	1,462	-
Between three months and one year	10,095	22,329
- third parties	10,095	22,329
- related parties (note 30)	-	-
Between one and two years	351,854	59,840
- third parties	351,854	9,840
- related parties (note 30)	-	50,000
Between two and five years	292,913	2,832
- third parties	292,913	2,832
- related parties (note 30)	-	-
After five years	6,070	4,218
Total financial liabilities	662,395	142,377

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 debt is shown in the next table:

(EUR '000)	31.12.2016	31.12.2015
A. Cash	4	3
B. Other cash equivalents	5,706	4,349
C. Securities held for trading	-	-
D. Cash and cash equivalents (A+B+C)	5,710	4,352
E. Current loan assets	259,687	224,723
F. Current bank loans and borrowings	-	(53,153)
G. Current portion of non-current debt	(11,132)	(9,853)
H. Other current loan liabilities	(15,336)	(12,481)
I. Current financial debt (F+G+H)	(26,468)	(75,487)
J. Net current financial position (debt) (I-E-D)	238,928	153,588
K. Non-current bank loans and borrowings	(635,927)	(66,890)
L. Bonds issued	-	-
M. Other non-current liabilities	-	-
N. Non-current financial debt (K+L+M)	(635,927)	(66,890)
O. Net financial debt (J+N)	(396,999)	86,698

The Company's net financial debt at 31 December 2016 amounted to EUR 397.0 million (net cash of EUR 86.7 million at 31 December 2015) – a deterioration of EUR 483.7 million compared to the previous year. In particular, the drivers of the increase in debt relate to the acquisitions carried out during the year. These included the share capital increase of EUR 40.0 million and a share premium of EUR 90.0 million of the

subsidiary Cementir Italia SpA, which it used for the acquisition of the Sacci business division through its subsidiary Cementir Sacci SpA, and the bridge loan of EUR 330 million, used to provide the subsidiary Aalborg Portland Holding A/S with an intercompany loan, which in turn was used to acquire the entire share capital of CCB. Dividends totalling EUR 15.9 million were distributed to shareholders in 2016.

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 67.3 million (as represented below).

(EUR '000)	31.12.2016	31.12.2015
Current financial assets	259,687	224,723
Cash and cash equivalents	5,710	4,352
Current financial liabilities	(26,468)	(75,487)
Non-current financial liabilities	(635,927)	(66,890)
Net financial debt (as per CONSOB Communication)	(396,999)	86,698
Non-current financial assets	329,685	-
Total net financial debt	(67,314)	86,698

The financial position with related parties includes credit positions of EUR 260.5 million (31 December 2015: EUR 225.8 million) and debit positions of EUR 1.5 million (31 December 2015: EUR 50.0 million).

16) Trade payables

The carrying amount of trade payables approximates their fair value. Their balance of EUR 3,020 thousand (31 December 2015: EUR 2,853 thousand) may be analysed as follows:

(EUR '000)	31.12.2016	31.12.2015
Trade payables	2,466	2,397
Trade payables - related parties (note 30)	554	456
Trade payables	3,020	2,853

Note 30 Related party transactions gives a breakdown of trade payables to subsidiaries, associates and parents.

17) Deferred tax assets and liabilities

(EUR '000)	31.12.2015	Accruals, net of utilisation in profit or loss	Increase, net of decreases in equity	31.12.2016
Tax losses	39,515	8,464	-	47,979
Other	2,616	(398)	3	2,221
Deferred tax assets	42,131	8,066	3	50,200
Difference between fair value of property, plant and equipment and their tax base	4,239	-	-	4,239
Deferred tax liabilities	4,239	-	-	4,239

At 31 December 2016, deferred tax assets, totalling EUR 50,200 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 an increase of EUR 8,069 thousand, due mainly to provisions for tax losses.

Deferred tax liabilities, totalling EUR 4,239 thousand at 31 December 2016, consisted of EUR 3,517 thousand in IRES liabilities and EUR 722 thousand in IRAP liabilities.

18) Other current liabilities

(EUR '000)	31.12.2016	31.12.2015
Personnel	751	1,168
Social security institutions	548	569
Other liabilities	2,584	2,214
Subsidiaries (IRES and VAT tax consolidation scheme) (note 30)	37,672	31,546
Deferred income	-	-
Other current liabilities	41,555	35,497

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.

19) Revenue

(Euro '000)	2016	2015
Services	20,942	17,863
Revenue	20,942	17,863

Revenue includes EUR 13,000 thousand in income from consultancy services provided to subsidiaries and EUR 7,942 thousand from royalties on the use of the trademark by those same subsidiaries.

Note 30 Related party transactions provides more information about revenue from transactions with subsidiaries, associates and other group companies.

20) Increase for internal work

Increase for internal work, equal to EUR 905 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)	2016	2015
Building lease payments	246	380
Other operating revenue	246	380

Building lease payments refer to leases on the property in Torrespaccata, Rome; the decrease on the previous year derives from the decrease in the rent on the portion of the building used as offices.

22) Personnel costs

(EUR '000)	2016	2015
Wages and salaries	6,262	7,151
Social security charges	2,148	2,001
Other costs	305	[537]
Personnel costs	8,714	8,615

The company's workforce breaks down as follows:

	31.12.2016	31.12.2015	2016 average	2015 average
Executives	30	23	27	23
Middle management, white collars and intermediates	54	39	44	41
Total	84	62	71	64

23) Other operating costs

(EUR '000)	2016	2015
Consultancy	1,779	2,572
Directors' fees	3,956	3,671
Independent auditors' fees	106	105
Other services	2,329	2,084
Other operating costs	4,627	3,852
Other operating costs	12,798	12,284

Consultancy costs increased due to non-recurring costs relating to due diligence activities.

Other services included, inter alia, statutory auditors' fees (EUR 140 thousand) and management costs for the Torrespaccata property (EUR 7 thousand). Other operating costs included the lease payments for the Corso di Francia property (EUR 1,660 thousand). The total includes transactions with related parties (see note 30).

24) Amortisation, depreciation, impairment losses and provisions

(EUR '000)	2016	2015
Amortisation	999	735
Depreciation	144	126
Amortisation, depreciation, impairment losses and provisions	1,143	861

25) Financial income and expense

Net financial expense totalled EUR 7,356 thousand. This breaks down as follows:

(EUR '000)	2016	2015
Interest income	3,566	1,971
Grants related to interest – Simest	-	165
Other financial income	490	4,928
Total financial income	4,056	7,064
Interest expense	(7,828)	(5,990)
Other financial expense	(3,584)	(417)
Total financial expense	(11,412)	(6,407)
Net financial (income) expense	(7,356)	657

Other financial income totalled EUR 490 thousand and mainly consisted of gains on derivative financial instruments purchased to hedge currency, interest rate and commodities risks.

The deterioration in net financial income (expense) compared to 2015 is due to the negative mark-to-market measurement of derivatives and to financial costs for the syndicate loan agreement.

Net financial income also includes income from related party transactions (see note 30).

26) Taxes

The caption shows net tax income of EUR 2,036 thousand (2015: expense of EUR 1,318 thousand) and breaks down as follows:

(EUR '000)	2016	2015
Current taxes	(6,029)	1,368
- IRES	(6,029)	1,418
- IRAP	-	(50)
Deferred tax assets	8,065	(2,686)
- IRES	8,577	(3,199)
- IRAP	(512)	513
Deferred tax liabilities	-	-
- IRES	-	-
Taxes	2,036	(1,318)

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

(EUR '000)	2016	2015
Theoretical tax expense	2,177	604
Taxable permanent differences	(695)	(5,632)
Deductible permanent differences	909	5,232
Prior year taxes	(51)	(80)
Change in IRES tax rate	(304)	(1,392)
Effective IRAP tax expense	-	(50)
Taxes	2,036	(1,318)

The Company, as allowed by the Income Tax Consolidation Act, participates in the group tax regime called "National tax consolidation scheme" as parent company.

27) Other comprehensive income (expense)

The following table gives a breakdown of other comprehensive expense, including the related tax effect:

(EUR '000)	2016			2015		
	Pre-tax amount	Tax effect	Post-tax amount	Pre-tax amount	Tax effect	Post-tax amount
Financial instruments	-	-	-	-	-	-
Net actuarial gains (losses) on post-employment benefits	(15)	3	(12)	(7)	2	(5)
Total other comprehensive income (expense)	(15)	3	(12)	(7)	2	(5)

28) Financial risk management and disclosures

The Company is exposed to financial risks connected with its operations, namely:

Credit risk

Cementir Holding SpA'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

Cementir Holding SpA 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. It carefully assesses expected interest rates and timeframes for the repayment of debt by using estimated cash inflows and purchases interest rates swaps to partly cover the risk. At 31 December 2016, the company's net financial debt amounted to EUR 397.0 million (including EUR 265.4 million in current loan assets and cash and cash equivalents, EUR 26.5 million in current loan liabilities and EUR 635.9 million in non-current loan liabilities). All its exposures are subject to floating interest rates.

At 31 December 2015, the company's net financial cash position amounted to EUR 86.7 million (including EUR 229.1 million in current loan assets and cash and cash equivalents, EUR 75.5 million in current loan liabilities and EUR 66.9 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 1.9 million (2015: positive effect of EUR 0.4 million) and a negative effect on equity of EUR 1.4 million (31 December 2015: positive effect of EUR 0.3 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: determination 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: determination 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
31 December 2016					
Investment property	3	-	-	23,000	23,000
Total assets		-		23,000	23,000
Current financial liabilities (derivative instruments)	15	-	12,398	-	12,398
Total liabilities		-	12,398	-	12,398
31 December 2015					
Investment property	3			23,000	23,000
Total assets		-	-	23,000	23,000
Current financial liabilities (derivative instruments)	15	-	(12,346)	-	(12,346)
Total liabilities		-	(12,346)	-	(12,346)

No transfers among the levels took place during 2016 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.

On 5 November 2010, the Board of Directors of Cementir Holding SpA approved a new procedure for related party transactions complying with CONSOB guidelines, issued pursuant to CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions thereto. The procedure has been applicable starting from 1 January 2011 and is published on the corporate website www.cementirholding.it.

On 3 March 2017, the Board of Directors resolved to make a number of changes to the related party transactions procedure, rendering it more effective and better suited to the operations, ownership structure and organization of the Company. The changes reflect Consob recommendations and were subject to prior approval by a committee of independent directors.

As required by CONSOB Communication No. 6064293 of 28 July 2006, related party transactions and their effects are reported in the table below:

Trade and financial transactions

(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	Total Company
31 December 2016									
Betontir SpA	4	-	-	-	-	-	-	(4,577)	(4,574)
Cimentas AS	8,000	-	-	-	-	-	-	-	8,000
Alfacem Srl	-	-	38,648	269	-	-	-	(178)	38,739
Aalborg Portland Holding A/S	2,549	327,003	-	-	-	-	-	-	329,553
Basi 15 Srl	-	-	3,245	-	-	-	-	(60)	3,185
Svim 15 Srl	-	-	830	-	-	-	-	(11)	819
Cementir España SL	-	-	103	-	-	-	-	-	103
Cementir Italia SpA	8,475	-	215,961	221	-	(537)	-	(30,625)	193,495
Aalborg Portland A/S	20	-	-	-	-	-	-	-	20
Sinai White Portland Cement Co.S.A.E.	9	-	-	-	-	-	-	-	9
Cementir Sacci SpA	22	-	-	-	-	-	-	(2,220)	(2,197)
Quercia Ltd	22	-	-	-	-	-	-	-	22
Caltagirone SpA	50	-	-	-	-	-	-	-	50
Vianini Lavori SpA	-	-	-	-	-	(13)	-	-	(13)
Vianini Ingegneria SpA	-	-	-	-	-	-	-	-	-
Piemme SpA	-	-	-	-	-	(4)	-	-	(4)
Unicredit SpA	-	-	-	-	7	-	-	-	7
Finnat Euramerica SpA	-	-	-	-	1,702	-	(1,462)	-	240
Total	19,151	327,003	258,788	490	1,710	(554)	(1,462)	(37,672)	567,403
Total financial statements caption	19,572	329,685	259,687	1,299	5,710	(3,020)	(662,395)	(41,555)	
% of financial statements caption	97.85%	99.19%	99.65%	37.72%	29.95%	18.35%	0.22%	90.66%	

(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	Total Company
31 December 2015									
Betontir SpA	4	-	-	16	-	-	-	(3,984)	(3,964)
Cimentas AS	9,818	-	-	-	-	-	-	(3)	9,815
Alfacem Srl	-	-	38,593	269	-	-	-	(167)	38,695
Aalborg Portland A/S	-	-	-	-	-	-	-	-	-
Basi 15 Srl	-	-	3,140	-	-	-	-	(13)	3,127
Swim 15 Srl	-	-	802	-	-	-	-	(1)	801
Cementir Espana SL	-	-	78	-	-	-	-	-	78
Cementir Italia SpA	6,562	-	181,740	304	-	(422)	-	(27,378)	160,806
Aalborg Portland A/s	2,468	-	-	-	-	-	-	-	2,468
Sinai White Portland Cement Co.S.A.E.	-	-	-	-	-	-	-	-	-
Cementir Sacci SpA	-	-	-	-	-	-	-	-	-
Quercia Ltd	-	-	-	-	-	-	-	-	-
Caltagirone SpA	-	-	-	-	-	-	-	-	-
Vianini Lavori SpA	-	-	-	-	-	(26)	-	-	(26)
Vianini Ingegneria SpA	-	-	-	-	-	-	-	-	-
Piemme SpA	-	-	-	-	-	(8)	-	-	(8)
Unicredit SpA	-	-	-	-	9	-	(50,000)	-	(49,991)
Finnat Euramerica SpA	-	-	-	-	1,453	-	-	-	1,453
Total	18,851	-	224,353	589	1,462	(456)	(50,000)	(31,546)	163,254
Total financial statements caption	19,626	-	224,723	1,120	4,352	(2,853)	(142,377)	(35,281)	
% of financial statements caption	96.05%	-	99.84%	52.58%	33.59%	15.98%	35.12%	89.41%	

Revenue and costs

(EUR '000)	Operating revenue and other income	Financial income	Personnel costs	Operating costs	Financial expense	Total Company
2016						
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)
Vianini Ingegneria SpA	-	-	-	-	-	-
Piemme SpA	-	-	-	(22)	-	(22)
ICAL 2	-	-	-	-	(652)	(652)
Unicredit SpA	-	-	-	-	(1,700)	(1,700)
Finnat Euramerica SpA	-	-	-	-	(93)	(93)
Total	20,942	3,262	-	(2,174)	(2,445)	19,585
Total financial statements caption	22,094	4,056	(8,714)	(12,798)	(6,407)	
% of financial statements caption	94.79%	80.44%	0.00%	16.99%	38.17%	

(EUR '000)	Operating revenue and other income	Financial income	Personnel costs	Operating costs	Financial expense	Total Company
2015						
Caltagirone SpA	-	-	-	(450)	-	(450)
Cimentas AS	5,741	-	-	-	-	5,741
Alfacem Srl	-	-	-	-	-	-
Basi 15 Srl	-	10	-	-	-	10
Svim 15 Srl	-	3	-	-	-	3
Aalborg Portland Holding A/S	-	-	-	-	-	-
Cementir Italia SpA	2,332	1,942	-	(1,374)	-	2,900
Aalborg Portland A/S	9,790	-	-	-	-	9,790
Sinai White Portland Cement Co.S.A.E	-	-	-	-	-	-
Vianini Lavori SpA	-	-	-	(42)	-	(42)
Vianini Ingegneria SpA	-	-	-	-	-	-
Piemme SpA	-	-	-	(28)	-	(28)
ICAL 2	-	-	-	-	-	-
Unicredit SpA	-	-	-	-	(1,658)	(1,658)
Finnat Euramerica SpA	-	-	-	-	(79)	(79)
Total	17,863	1,955	-	(1,894)	(1,737)	16,187
Total financial statements caption	18,907	7,064	(8,615)	(12,284)	(6,407)	
% of financial statements caption	94.48%	27.67%	0.00%	15.42%	27.11%	

Revenue from transactions with the subsidiaries Cimentas AS, Aalborg Portland A/S and Cementir Italia SpA refers to brand royalty fees and management fees. Operating costs with the subsidiary Cementir Italia, totalling EUR 1,660 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 S/A (EUR 327,003 thousand), Cementir Italia SpA (EUR 215,961 thousand), Basi 15 Srl (EUR 3,245 thousand) and Svim 15 Srl (EUR 830 thousand), non-interest bearing loans to Alfacem (EUR 38,648 thousand) and Cementir Espana (EUR 103 thousand).

Trade payables mainly comprise rent instalments on the Corso di Francia office due to Cementir Italia (EUR 537 thousand).

Financial liabilities of EUR 1,462 thousand refer to the current account overdraft as described in note 15.

Other current liabilities mainly result from the effects of Cementir Italia, Betontir, Cementir Sacci and Alfacem joining the tax consolidation scheme.

31) Independent auditors' fees

Fees paid in 2016 to the independent auditors totalled approximately EUR 258 thousand (2015: EUR 385 thousand), including EUR 99 thousand for auditing (2015: EUR 98 thousand) and EUR 159 thousand for other due diligence services.

32) Events after the reporting period

There are no significant events to report.

Rome, 3 March 2017

Francesco Caltagirone Jr.
Chairman of the Board of Directors



Izmir Plant TURKEY

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

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

- the adequacy, in relation to the characteristics of the Company, and
- the effective application of administrative and accounting procedures for the preparation of the separate financial statements as at and for the year ended 31 December 2016.

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

3. They also state that:

3.1 the separate 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 company documents, books and accounting records;
- c) provide a true and fair view of the financial position, financial performance and cash flows of the issuer.

3.2 the single directors' report prepared for both the separate and consolidated financial statements, includes a reliable analysis of operations and operating results, in addition to the financial position of the issuer together with a description of the main risks and uncertainties to which it is exposed.

Rome, 3 March 2017

Francesco Caltagirone Jr.
Chairman of the Board of Directors

Massimo Sala
Manager responsible for
financial reporting



Gaurain Plant BELGIUM



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

Independent auditors' report pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of Cementir Holding S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2016, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the separate financial statements

The company's 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of separate financial statements that give a true and fair view 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 entity's internal controls. An audit

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.

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Cementir Holding S.p.A.
Independent auditors' report
31 December 2016

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements give a true and fair view of the company's financial position as at 31 December 2016 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report and certain information presented in the report on corporate governance and ownership structure with the separate financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report and the information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98, which are the responsibility of the company's directors, with the separate financial statements. In our opinion, the directors' report and the 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. as at and for the year ended 31 December 2016.

Rome, 27 March 2017

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit

Report of the Board of Auditors to the shareholders' meeting pursuant to Art. 153 of Legislative Decree 58/98 and Art. 2429(3) of the Civil Code

Shareholders,

again in 2016 we performed supervisory functions over the company's management as required by law, and in particular Legislative Decree 58 of 24 February 1998, as auditing activities are performed by KPMG S.p.A., with whom we maintained constant contact, as discussed more specifically below.

As regards our activities during the year, we report the following:

- we monitored compliance with the law and the bylaws, including by consulting with Internal Audit and Compliance;
- we received from the directors information on operations and on the most financially significant transactions carried out by Cementir and its subsidiaries during the year. Based on the information provided to us, we can reasonably conclude that these operations comply with the law and the bylaws and that they were not manifestly imprudent, risky, in potential conflict of interest or in contrast with the resolutions of the Shareholders' Meeting or otherwise prejudicial to the integrity of the Company's assets. Based on information obtained during meetings of the Board of Directors, no director engaged in any transactions that posed a potential conflict of interest;
- we acquired information and monitored, within the scope of our duties, the adequacy of the Company's organizational structure, compliance with the principles of sound administration and the appropriateness of the instructions issued by Cementir Holding S.p.A. to its subsidiaries pursuant to Article 114(2) of Legislative Decree 58/98, gathering information from the relevant department heads;
- we examined and monitored the appropriateness of the internal control system, as well as the administrative and accounting system and its reliability in representing operational events accurately; we also examined and monitored the work carried out for the preparation and updating of the internal audit plan. For this purpose, we regularly met with the manager responsible for preparing the company's financial reports, provided for by Art. 16 of the bylaws, and with the head of the Internal Auditing unit and the manager responsible for corporate legal affairs. No significant concerns arose during the course of these meetings. The Chairman of the Board of Auditors also attended the meetings of the Control and Risks Committee, where the above subjects were specifically examined, informing the other members of the Board of Auditors about the outcome of such meetings;
- we examined and obtained information on organizational and procedural activities relating to Legislative Decree 231/2001. The Chairman of the Board of Auditors attended the meetings of the Supervisory Body to the extent possible, reporting on its proceedings to the other members of the Board of Auditors. Based on information provided by the head of the Compliance department, and the results of the Control and Risks Committee's meetings, the organizational model adopted pursuant to Legislative Decree no. 231/2001 was found to be updated according to the legislation in force;
- The Chairman of the Board of Auditors also attended the meetings of the Appointment and Remuneration Committee, informing the other members of the Board of Auditors about the outcome of such meetings;

- we verified and confirmed that this Board and the directors meet the independence requirements as indicated in the Consob Issuers' Regulation and the Corporate Governance Code;
- we verified the actual implementation of the corporate governance rules as set out in the Corporate Governance Code (art. 149, para. 1, c-bis), the Consolidated Finance Act, and those relating to resolutions on remuneration and other benefits;
- we carried out the checks envisaged by art. 36, paragraph 1, of Consob Market Regulation;
- pursuant to Art. 150 (3) of Legislative Decree 58/98, we met regularly with the independent auditors, KPMG S.p.A., to exchange information and opinions; we also assessed the correct use of accounting standards and their consistency for the purpose of drafting the separate and consolidated financial statements. No significant information or circumstances were found that would require mention in this report; we verified that the Independent Auditors meet the independence requirement pursuant to art. 17, paragraph 9 of Legislative Decree no. 39/2010;
- we did not find any atypical or unusual transactions with Group companies, third parties or related parties. For transactions with such parties, the Company has adopted a specific procedure approved by the Board of Directors. In the notes to the financial statements, the directors provide information on intercompany transactions, reporting that all transactions with subsidiaries, associates, the controlling shareholder, whether of a financial or commercial nature, took place in the ordinary course of business under normal market terms and conditions;
- we verified that no omissions, irregularities or other censurable facts occurred, nor did we encounter any significant facts needing to be reported either to control bodies or in this report during the course of our supervisory activity; no reports pursuant to art. 2408 of the Italian Civil Code nor other reports or complaints of any kind were filed with the Board of Auditors;
- as regards the results reported in the financial statements for the year ended 31 December 2016, we held specific meetings with representatives of KPMG S.p.A. to review, within the scope of our respective duties, the most important items contained in the document. In collaboration with the CFO, we specifically focused on the valuation of investments, particularly that in Cementir Italia S.p.A., which is based on the outcome of the impairment test and on a specific appraisal prepared by a professional appointed by Cementir Holding S.p.A.; we oversaw the acquisition by the Subsidiary Cementir Italia S.p.A. of Sacci's business division, involved in an arrangement with creditors' procedure, and of Compagnie des Ciments Belges by Aalborg Portland Holding A/S indirectly 100% controlled by Cementir Holding S.p.A.;
- we also verified, through meetings with the head of Administration, Finance and Control, the completeness of the information contained in the Director's Report. We reached the conclusion that the Director's Report complies with the law and the relevant accounting standards. KPMG S.p.A. was also obviously involved in the discussion, particularly concerning the consistency of the mentioned Report with the related financial statements;
- in 2016 the audit firm received the following remuneration for the statutory audits performed:
 - separate financial statements EUR 32,481;
 - consolidated financial statements EUR 25,376;
 - limited audit of the condensed half-year consolidated financial statements EUR 10,150;
 - certification of the "Modello Unico", unified tax return EUR 1,060.

As part of our supervisory activities for the year 2016, the Board of Auditors met five times, including via teleconferencing. We attended seven meetings of the Board of Directors and attended the Ordinary Shareholders' Meeting to approve the financial statements for the year ended 31 December 2015.

Based on the activity carried out during the year, and the specific consultation with KPMG S.p.A., we find no grounds to oppose approval of the financial statements of Cementir Holding S.p.A. for the period ended 31 December 2016 and the accompanying Director's Report. We also concur with the directors' proposal to cover the loss of EUR 5,880,637 using the revaluation reserve (Law 266/2005) and to distribute a dividend of EUR 0.10 per share, for a total of EUR 15,912,000, drawing upon retained earnings.

The Board of Auditors also examined the consolidated financial statements and acknowledges the unqualified opinion issued by KPMG S.p.A.

With the approval of the financial statements for the year ended 31 December 2016, the Board of Auditors has finished its term. Accordingly you are called upon to appoint a new Board.

Rome, 27 March 2017

THE BOARD OF AUDITORS

PROF. CLAUDIO BIANCHI

CHAIRMAN

AVV. MARIA ASSUNTA COLUCCIA

STANDING AUDITOR

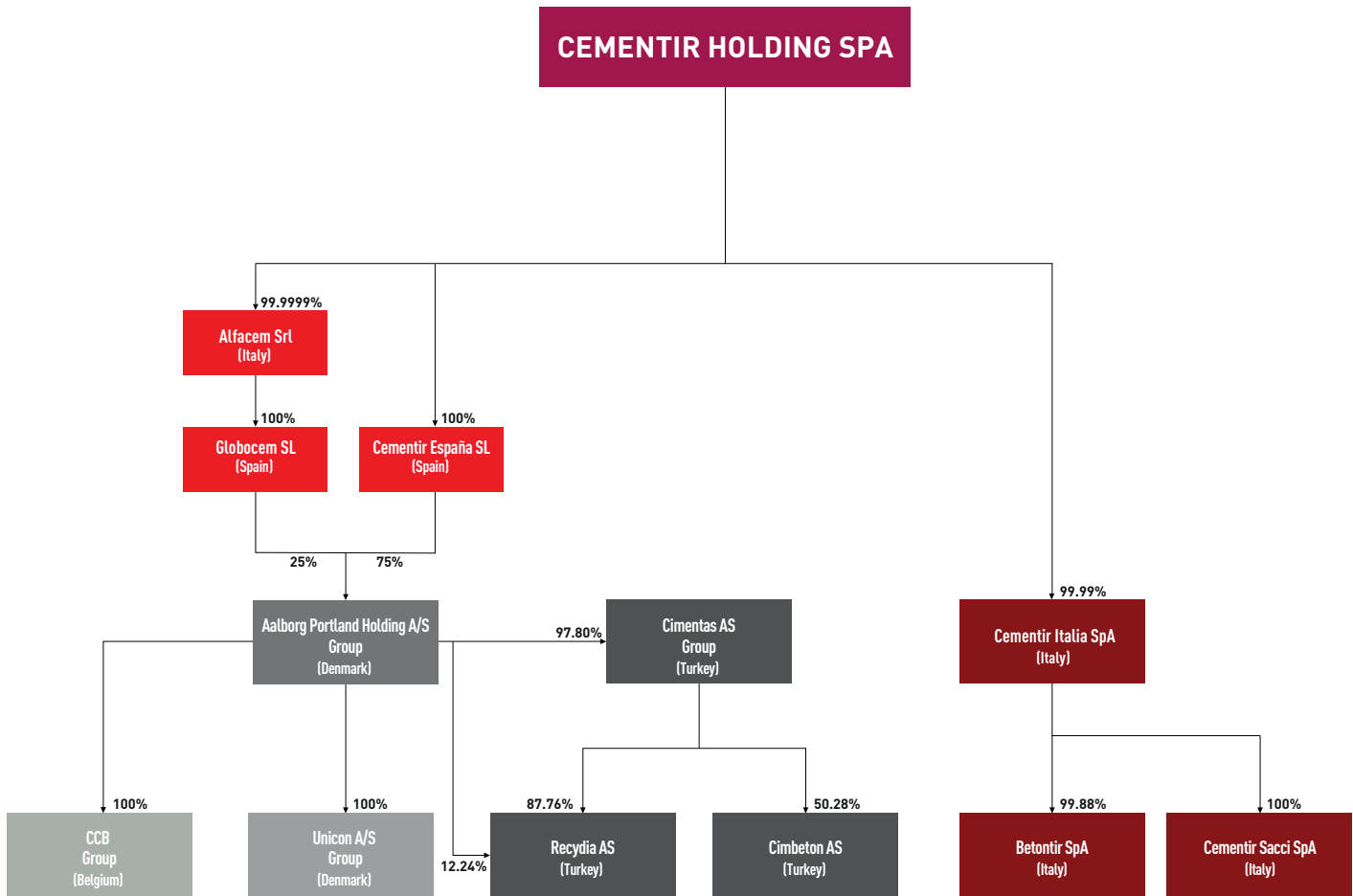
AVV. GIAMPIERO TASCO

STANDING AUDITOR



Aalborg Plant DENMARK

Simplified structure of the Group





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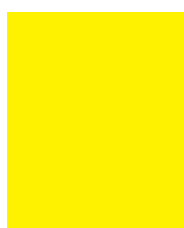
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