Italcementi Group

A world class local business

# Business update

G. Maggiora – Chief Financial Officer

Mid Caps Conference
Natixis
Paris, 24 November 2015

# Agenda

**Opening Remarks**

**30 September 2015 Group Results**

**2015 Outlook**

# Industry consolidation and market volatility

- Industry reshaping continues with HeidelbergCement's July 28, agreement to acquire control of Italcementi from Italmobiliare. Closing expected in H1 2016, to be followed by mandatory tender offer for the entire share capital of the company
- HeidelbergCement and Italcementi management teams are currently cooperating to the extent permitted by law to substantiate synergy objectives and identify best practices to be leveraged across the future expanded Group
- Until closing, our focus remains fixed on delivering on performance objectives and manage revenue volatility arising from key Group markets, accentuated in Q3 2015

# Q3/9M 2015 in summary

| | **Q3** (y/y chg.) | **9M** (y/y chg.) |
|---|---|---|
| **Weaker-than-H1 volumes in most Group markets** | **-4.1%** cement & clinker volumes | **-1.4%** cement & clinker volumes |
| **Revenue supported by positive FX tailwind. Adverse pricing in Egypt and France** | **-1.7%** revenue -7.2% l-f-l | **+3.2%** revenue -3.9% l-f-l |
| **Cost savings partially offset volume and pricing pressure in Q3** | **-8M€ to 158M€** Rec. EBITDA -8M€ ex $CO_2$ | **+8M€ to 483M€** Rec. EBITDA -30M€ ex $CO_2$ |
| **Lower Net Results in Q3 mainly due to increase in Net Financial Expenses (KZT devaluation). YTD still improving on lower taxes and no impairments** | **-23M€** Net Income (Owners of Parent) | **+57M€** Net Income (Owners of Parent) |

# 9M 2015 in summary

| | 9M |
|---|---|
| Strong compression on CapEx spending after 2014 strategic projects | **278M€** vs. **388M€**<br>CapEx |
| Industrial free cash flow improves but still does not offset dividends and FX impacts on NFP | **-141M€**<br>Chg in NFP since 12/31/2014 |
| Leverage remains under close monitoring | **3.5x**<br>Net Debt /Rec.EBITDA |

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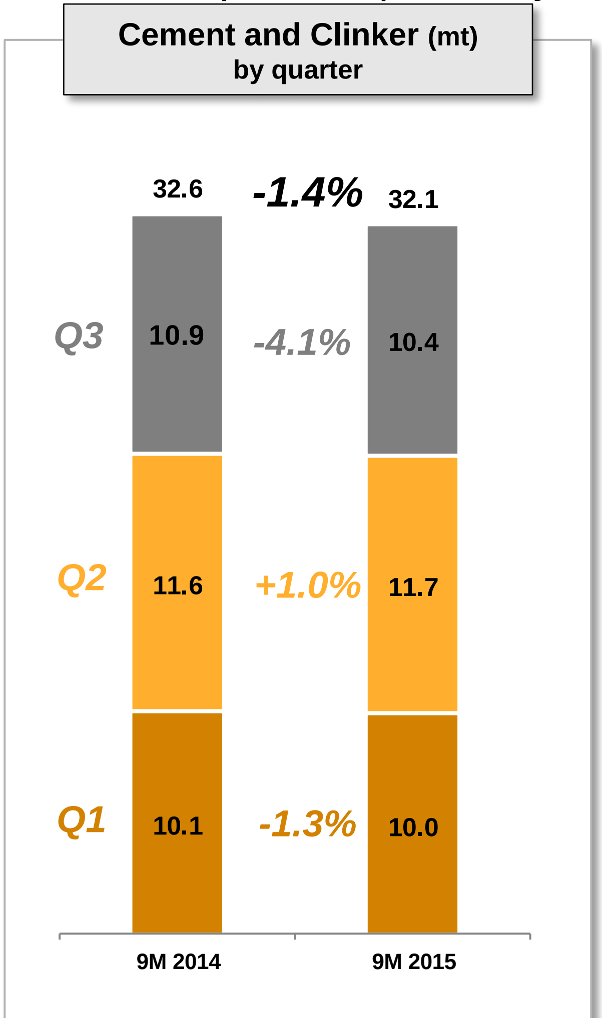
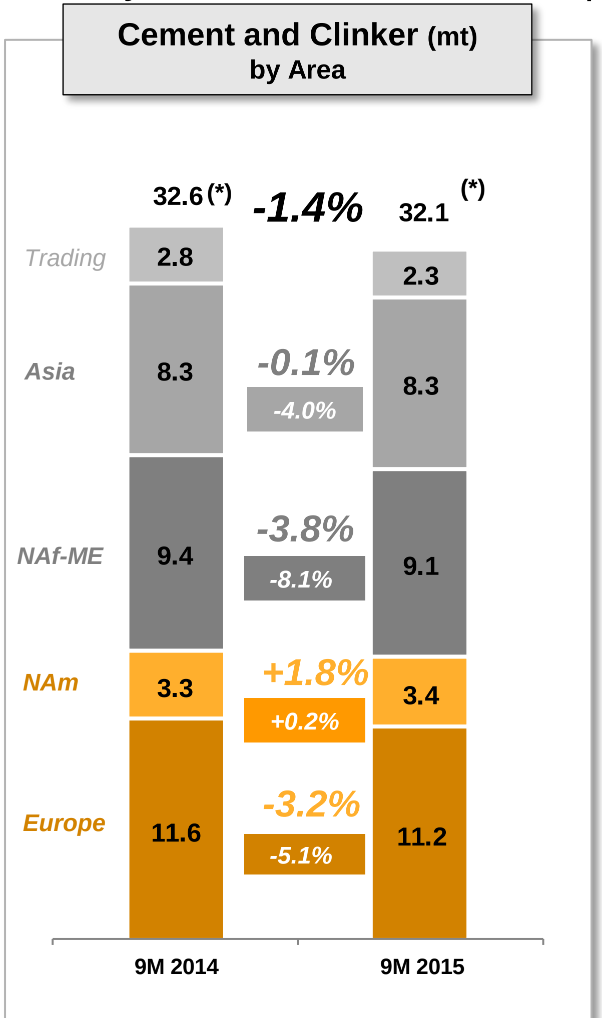
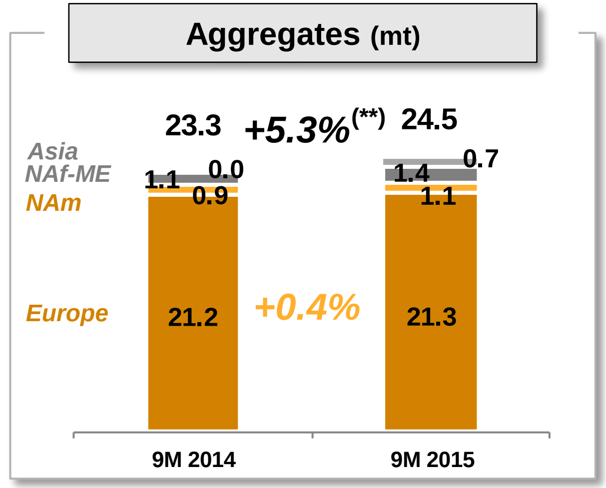
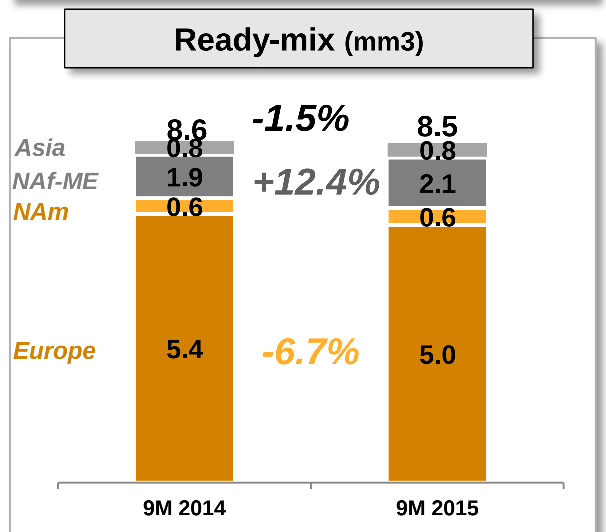
# Sales volumes by business

After a stable H1, Group cement volumes decline in Q3 driven by difficult trading environment in all main emerging markets and Europe. North America sales flat on production stoppages. Aggregates continue to perform positively while ready-mix slow down in Europe



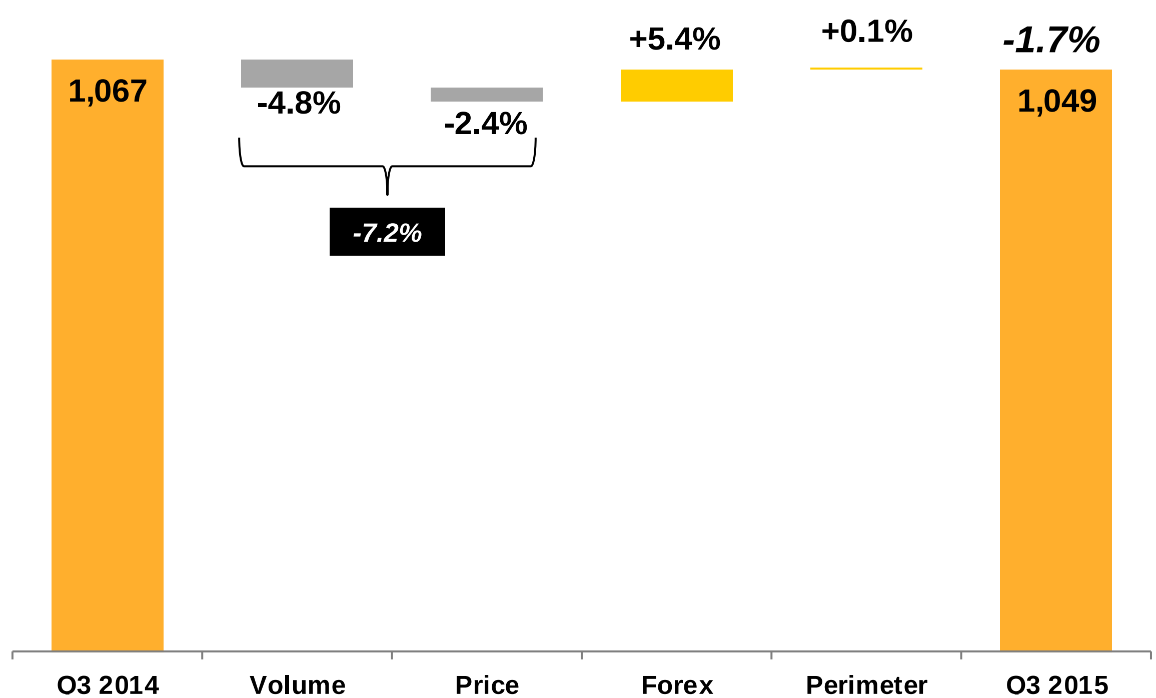

(*) Including eliminations for 2.1*mt* in 2015 and 2.7*mt* in 2014 (**) +3.3% on a like-for-like basis – 2015 perimeter

Q3 chg.

# Revenue

Q3 revenue down 1.7% on accentuated weakness in Europe and NAME.
Sequential pressure on prices in Egypt (amplified by challenging base effect) but pricing turned positive in Italy and remained solid in India and N.America. YTD revenue still up 3.2%

## Q3 2015 vs. Q3 2014 – M€

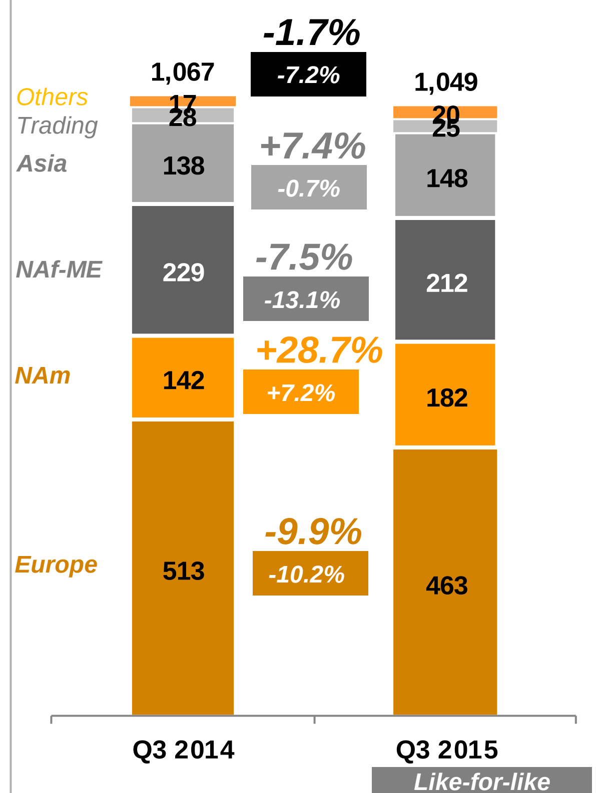



## 9M 2015 vs. 9M 2014 – M€

| | | | | | |
|---|---|---|---|---|---|
| 3,116 | -2.3% | -1.6% | +7.0% | +0.1% | 3,217 |

+3.2%

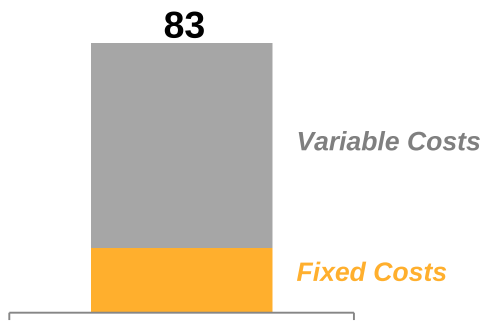
## Breakdown by Area – M€
(after eliminations)



# 9M 2015 Cost Reduction results

YTD results above 70M€ FY 2015 target

### 9M 2015 Cost Reduction results

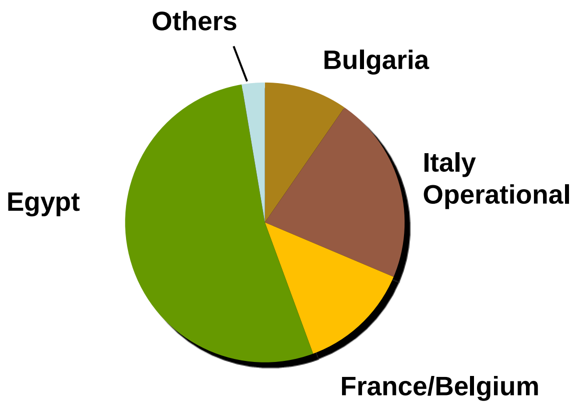



### Variable Costs

**Returns on 2013-14 efficiency investments:**

- Fuel and power savings in **Italy and Bulgaria** from clinker lines revampings
- Fuel, clinker and logistic savings in **Egypt** thanks to coal grinding capacity in Kattameya and Suez

### 9M 2015 Savings: Breakdown by country




### Fixed Costs

**Group-wide Labor costs:**

- 2.5% positive impact from -448 (-2.6%) FTE variation vs. 9M 2014

**Italy, France/Belgium**

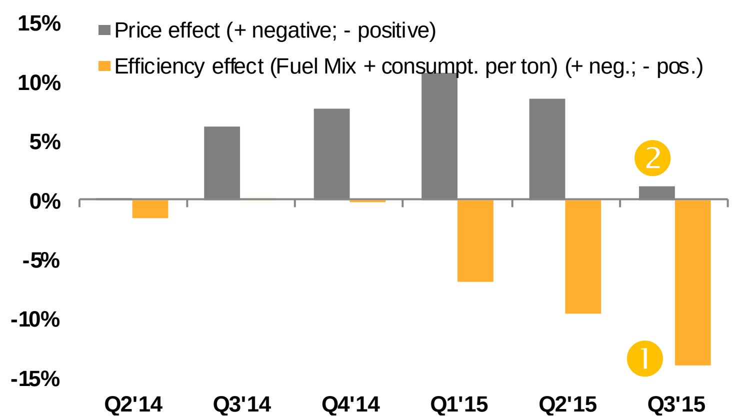
- Reduction on labor costs, maintenance and other fixed costs

**North America**

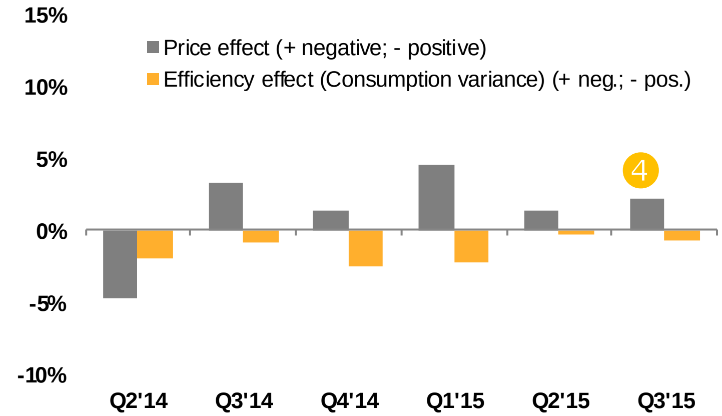
- Higher maintenance and staff costs

# Fuel and power costs cycle (y/y %)

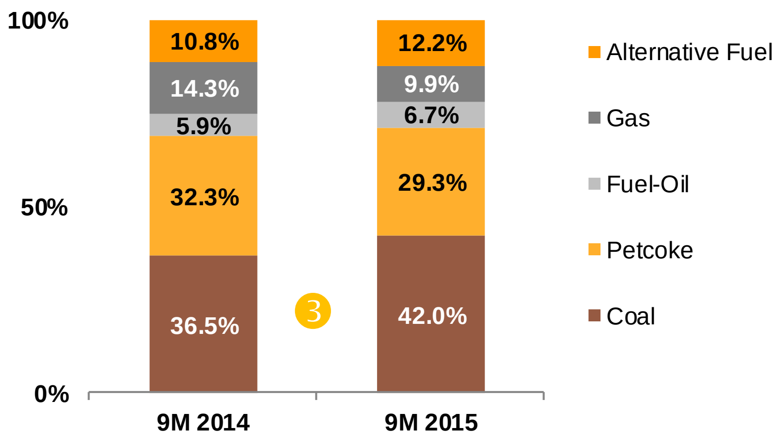
## Fuel costs y/y trend




## Power costs y/y trend



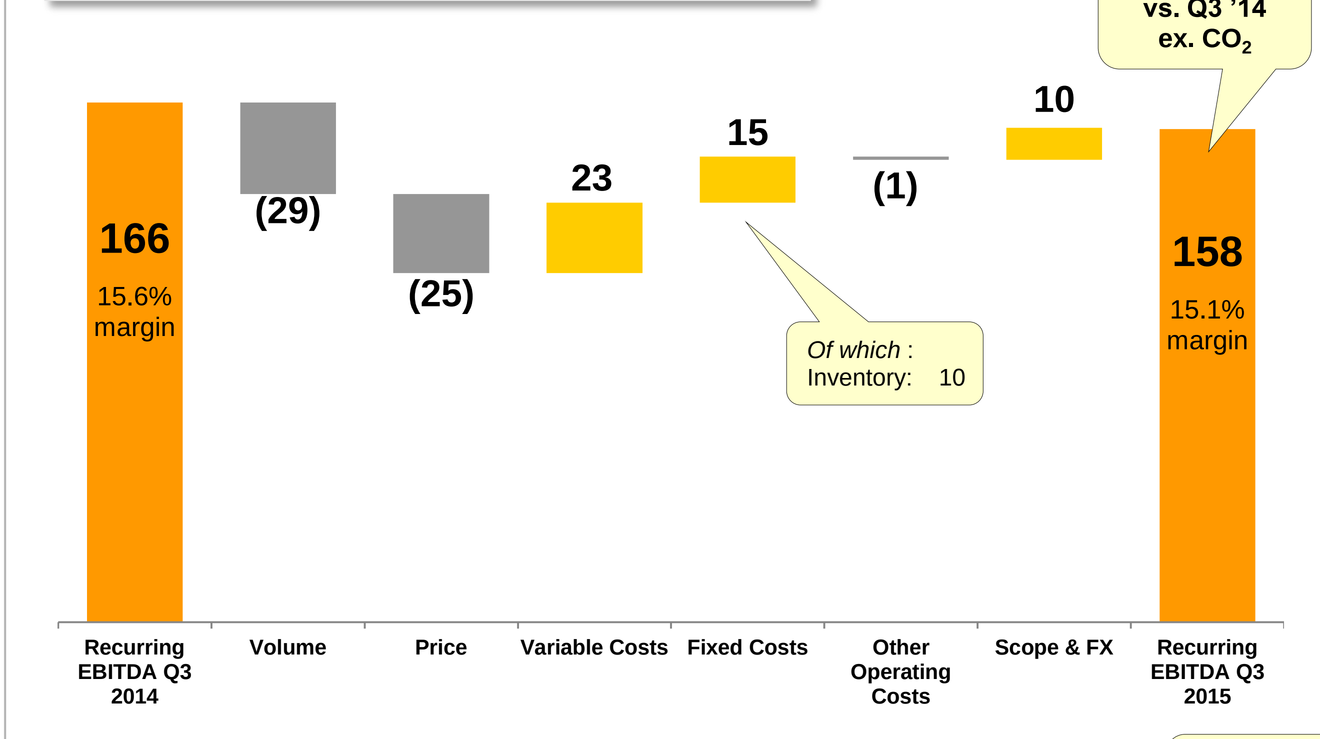

## Fuel Mix




1. Increasing return on **efficiency investments** in Egypt, Bulgaria and Italy (28M€ in 9M'15)
2. **Price effect** due to Egypt fuel increase in H2 2014
3. Group **fuel mix** reflects coal/gas substitution in Egypt
4. **Power**: price increase in Egypt, Spain and Morocco decrease in North America

# Rec. EBITDA variance analysis by driver

## Q3 2015 vs. Q3 2014 – M€




## 9M 2015 vs. 9M 2014 – M€

| Recurring EBITDA 9M 2014 | Volume | Price | Variable Costs | Fixed Costs | Other Operating Costs | Scope & FX | Recurring EBITDA 9M 2015 |
|---|---|---|---|---|---|---|---|
| 475 | (47) | (50) | 18 | 29 | 25 | 32 | 483 |

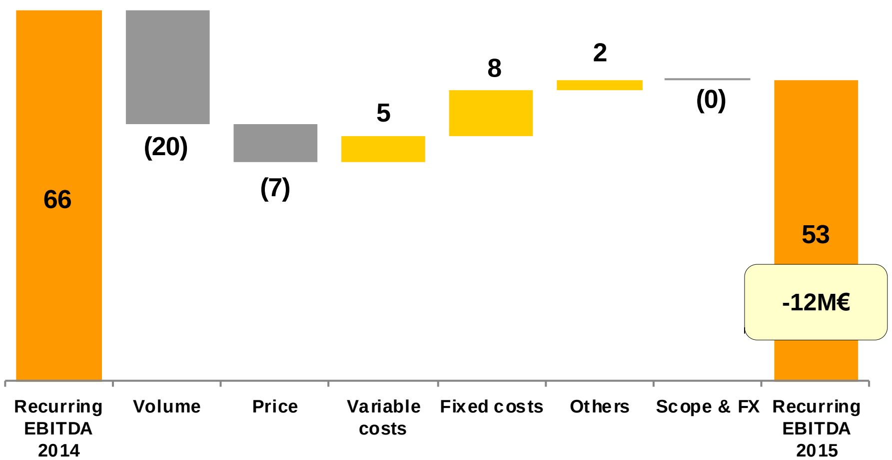
*Of which* : $CO_2$ : 39

**-30M€ vs. 9M '14 ex. $CO_2$**

- Negative **volume effect** in Q3, primarily in Europe and North Africa; flat NA and Asia
- **Price effects** driven by Egypt
- **Variable costs** continue to benefit from efficiency investments in Egypt and Europe
- Positive **FX translation** on non-European portfolio
- No **$CO_2$** rights monetization in the quarter

# Europe

## Q3 – Rec. EBITDA variance analysis | M€




| 2014 | | % Chg | M€ Chg | 2015 |
|---|---|---|---|---|
| 2 | Italy | -85.7% | -2 | 0 |
| 59 | France/Belgium | -21% | -12 | 47 |
| 4 | Others | | | 6 |

## 9M – Rec. EBITDA variance analysis | M€

| YTD | | | | | | | |
|---|---|---|---|---|---|---|---|
| 206 | -39 | -37 | 3 | 25 | 28 | 1 | 187 |

| | | % Chg | M€ Chg | |
|---|---|---|---|---|
| 17 | Italy | 106% | +18 | 35 |
| 170 | France/Belgium | -25% | -42 | 127 |
| 19 | Others | | | 25 |

## Italy

- Flat Rec. EBITDA in Q3
- After a stable H1, unexpected deterioration in Q3 volumes
- Positive price effect after June actions
- Ongoing focus on fixed costs reduction

## France / Belgium

- Market environment continues to be weak
- Positive results from actions on fixed and variable costs

## Spain

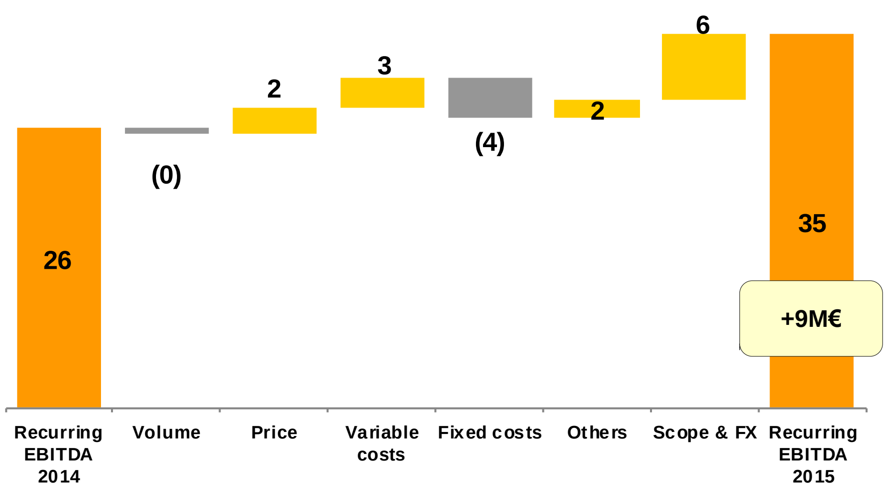
- Difficult trading conditions in Med Rim put pressure on volumes (export) and prices

## Bulgaria

- Strong improvement in Rec. EBITDA in Q3, leveraging on state-of-the-art Devnya plant
- Positive volume effect thanks to ongoing recovery on the domestic market and reopening of some strategic export destinations

# North America

**Q3/9M – Rec. EBITDA variance analysis | M€**

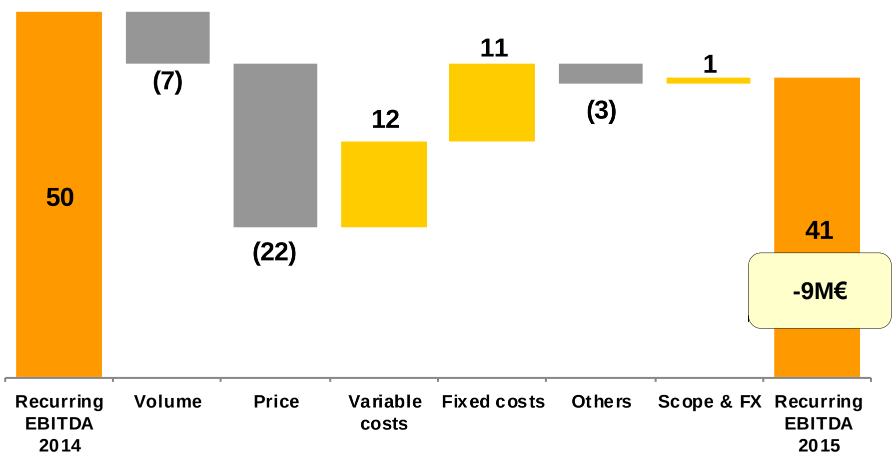



| YTD | | | | | | | |
|---|---|---|---|---|---|---|---|
| 20 | 2 | 8 | 6 | -8 | 2 | 6 | 36 |

- Lackluster performance, with flat volumes in Q3 on production issues after slightly positive H1
- Solid price/variable costs spread confirmed in Q3
- Ongoing maintenance spending while manufacturing excellence program is implemented
- FX translation boosts region's contribution to consolidated results

# North Africa and Middle East

## Q3 – Rec. EBITDA variance analysis | M€




| | | % Chg | M€ Chg | |
|---|---|---|---|---|
| 13 | Egypt | -94% | -12 | 1 |
| 37 | Morocco | 8% | +3 | 39 |
| 0 | Others | | | 1 |

## 9M – Rec. EBITDA variance analysis | M€

| YTD | | | | | | | |
|---|---|---|---|---|---|---|---|
| 182 | -11 | -36 | 3 | 12 | -2 | 9 | 157 |

| | | % Chg | M€ Chg | |
|---|---|---|---|---|
| 77 | Egypt | -47% | -36 | 41 |
| 103 | Morocco | 10% | +10 | 113 |
| 2 | Others | | | 3 |

## Egypt

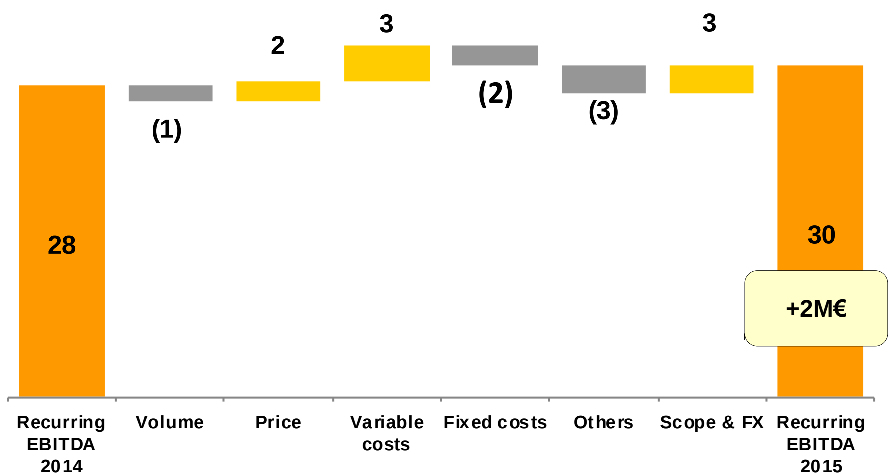
- Market volumes continue to be sluggish
- Coal transformation, higher availability of gas and imports put strong pressure on prices in Q3
- Visible benefits on variable costs from investments on coal grinders
- Positive effects on fixed costs base
- Export activities regained steam

## Morocco

- Ongoing, tangible improvement in Rec. EBITDA
- Pricing environment remains solid
- Positive variable cost effects on fuel costs

# Asia

## Q3 – Rec. EBITDA variance analysis | M€




| | | % Chg | M€ Chg | |
|---|---|---|---|---|
| 7 | India | 71% | +5 | 12 |
| 17 | Thailand | 7% | +1 | 18 |
| 5 | Other | | | 0 |

## 9M – Rec. EBITDA variance analysis | M€

| YTD | | | | | | | |
|---|---|---|---|---|---|---|---|
| 66 | 1 | 14 | 5 | -3 | -4 | 13 | 93 |

| | | % Chg | M€ Chg | |
|---|---|---|---|---|
| 14 | India | 182% | +25 | 39 |
| 49 | Thailand | 16% | +8 | 57 |
| 3 | Others | | | -3 |

## Thailand

- Moderate decline in pricing continues in Q3 as a consequence of the start up of additional capacity from one competitor in September
- Industrial efficiency actions coupled with lower cost of coal clearly visible on variable costs effect
- Positive FX translation effect

## India

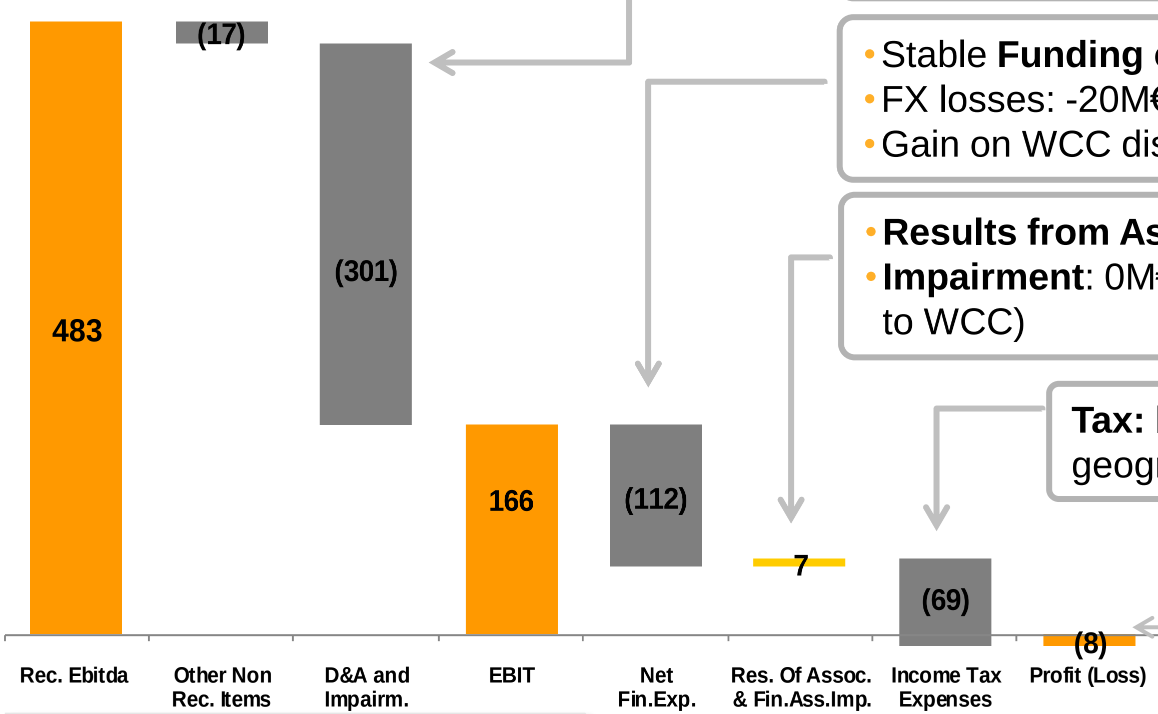
- Volume environment continues to be weak in the Southern India …
- … while pricing remains positive vs. previous year albeit sequentially softer than H1 peak
- Solapur grinding unit started commercial activities in September
- Positive FX translation effect

## Kazakhstan

- Lower Y/Y Rec. EBITDA on challenging base (one-off other income in Q3 2014)
- Revamping project in progress, start-up in Q1 2016

# Non-operating P&L items

**9M 2015 – M€**




**9M 2014 – M€**

| Rec. Ebitda | Other Non Rec. Items | D&A and Impairm. | EBIT | Net Fin.Exp. | Res. Of Assoc. & Fin.Ass.Imp. | Income Tax Expenses | Profit (Loss) |
|---|---|---|---|---|---|---|---|
| 475 | (0) | (308) | 166 | (103) | (17) | (110) | (64) |

- **Restructuring charges:** -23M€ (Italy, Holdings)
- **Assets disposal gain:** +7M€ (Thailand and Italy)

- **Depreciation:** -306M€ (vs. -299M€)
- **Impairment** on non current assets: 5M€ (vs. -9M€) on US (Camden) terminal purchase accounting

- Stable **Funding costs: -91M€** vs. -90M€
- FX losses: -20M€ vs.-1M€ (mainly KZT devaluation)
- Gain on WCC disposal: 15M€

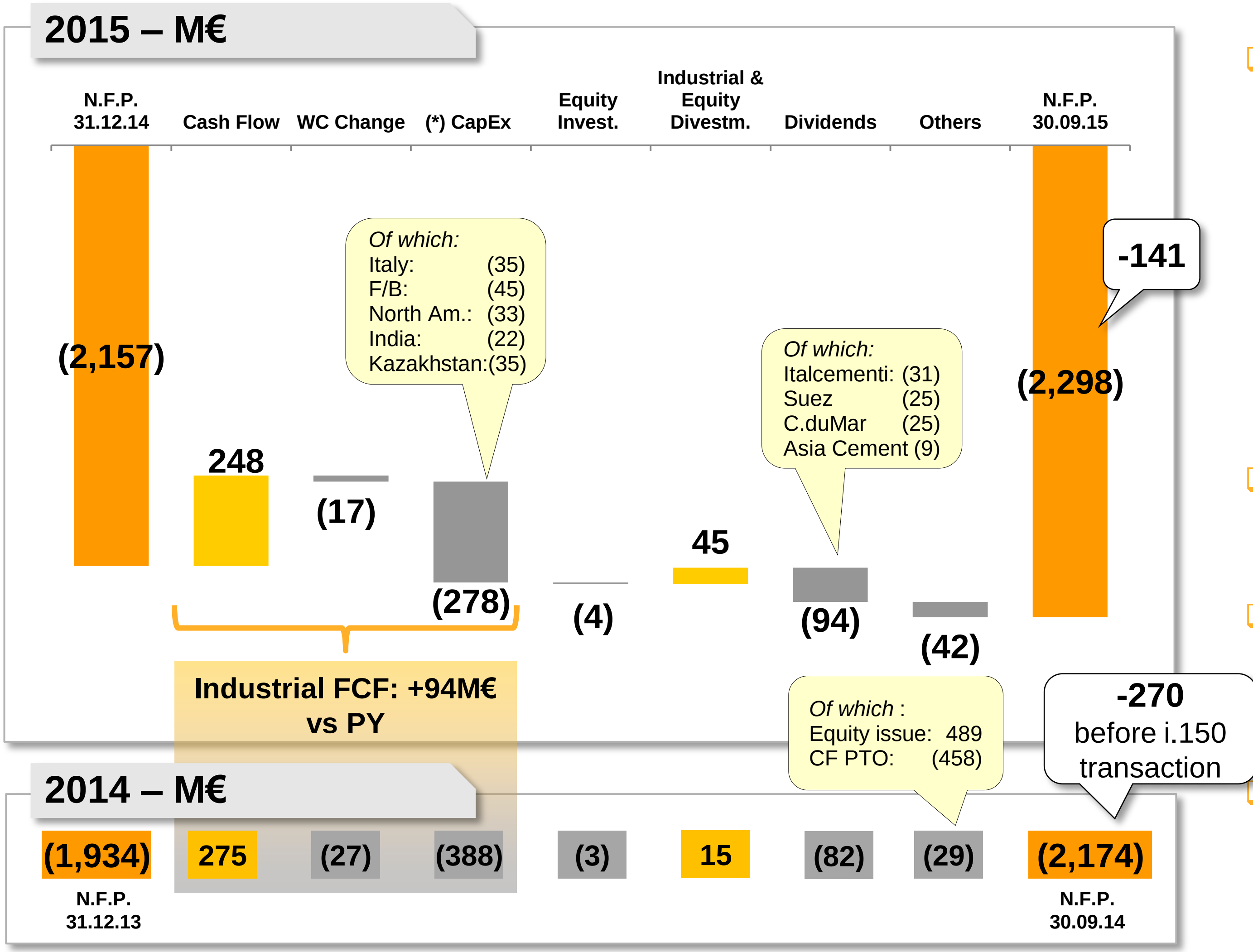
- **Results from Associates: 7M€** (10M€)
- **Impairment**: 0M€ (-27M€ in 9M '14 of which 25M€ related to WCC)

**Tax:** lower tax expenses vs. 9M'14 on different geographical mix and negative one-off in 2014

*of which:*
- ***Minorities:*** ***47M€*** *(vs. 49M€)*
- ***Owners of the Parent:*** ***-55M€*** *(vs. -113M€)*

# Cash Flow

Strong improvement of Industrial Free Cash Flow on lower CapEx vs. PY



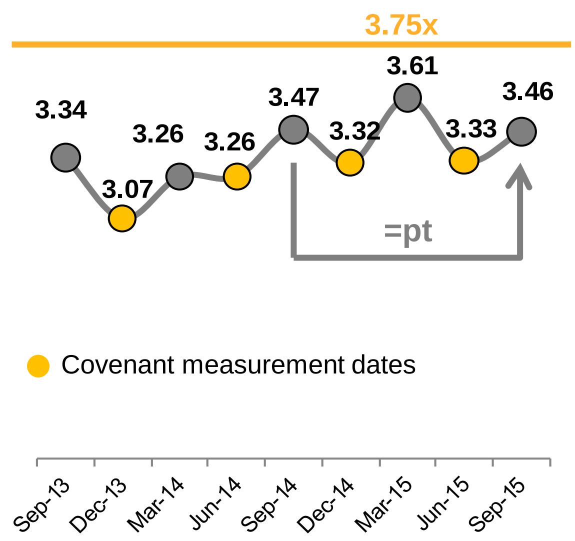

(*) Including change in payables of -59M€ as of September 15 and -59M€ as of September 14

- Cash Flow from Operations: 8M€ Rec. EBITDA improvement offset by higher cash tax charges (97M€ vs. 90M€). FX losses on USD-denominated debt in Kazakhstan impact CFOps, offset in translation to EUR-reported NFP
- Disposal of West China Cement stake (34M€ cash-in)
- Net Debt increase after dividend payout to minorities and parent owners
- Negative FX translation effect on non-Euro denominated debt

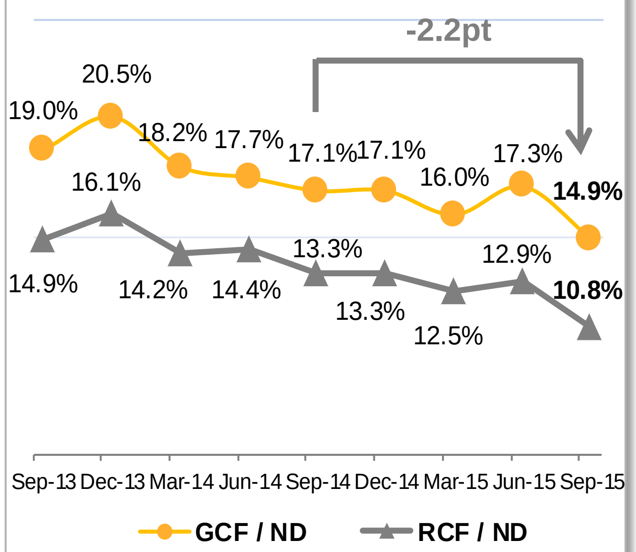
# Financial Ratios

Leverage remains under close monitoring

**Net Debt(*) / LTM Recurring EBITDA**




**LTM(**) GCF and RCF / Net Debt(*)**




(*) June '14 ratios calculated on 2,076M€ Pro-forma NFD after completion of P150 transactions
(**) GCF and RCF based on reported figures

- Stable ND/Rec.EBITDA vs. PY with LTM Rec.EBITDA improvement neutralizing higher Net Debt
- GCF/ND and RCF/ND penalized by lower LTM GCF and higher dividends

**Ratings**

| | LT Rating | Outlook | Last Action |
|---|---|---|---|
| Moody's | (Ba3) | (Positive) | 29/07/2015 (Review for upgrade) |
| S&P's | BB | Positive | 8/10/15 (Revised Outlook) |

- Moody's and S&P's review on HeidelbergCement deal

# Net Financial Position

Gross financial debt structure reflects shortening of residual life of utilized MT credit lines and higher utilization of commercial paper program with tightening of spreads in the summer

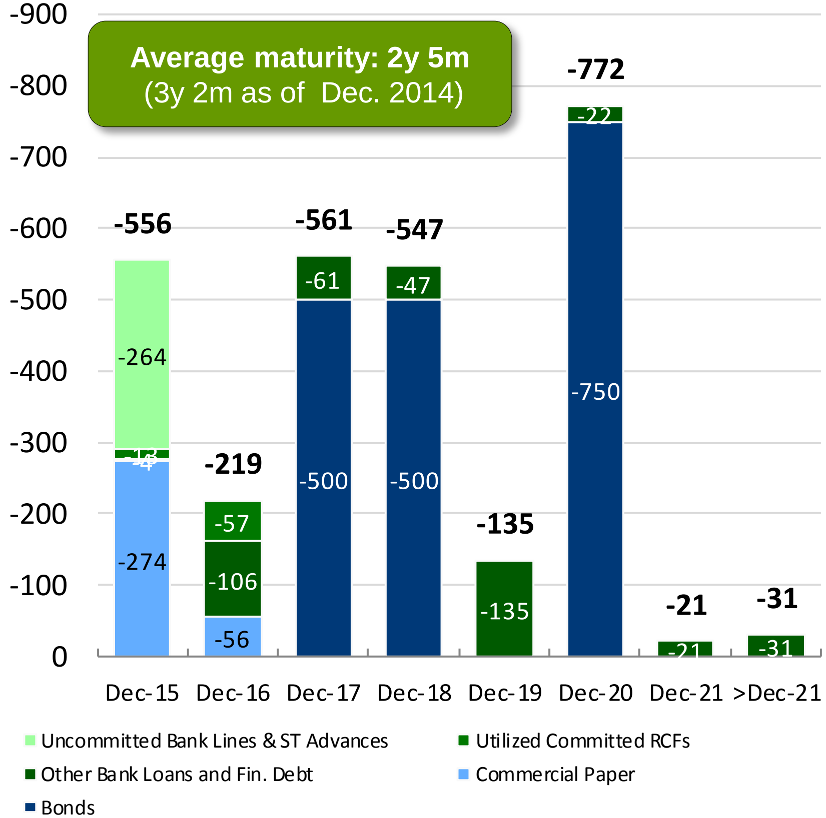
**Net Financial Position – M€**

| | 30 September '15 | 31 December '14 | (Source) / Use |
|---|---|---|---|
| Current Financial Liabilities | (820) | (529) | (291) |
| Non-Current Financial Liabilities | (2,162) | (2,337) | 175 |
| **Gross Financial Debt** | **(2,983)** | **(2,867)** | **(116)** |
| *Gross Debt (Total Financial Liabilities net of accruals, FV adjustments & derivatives MTM)* | *(2,842)* | *(2,659)* | *(183)* |
| Current Financial Assets | 645 | 611 | 35 |
| *of which cash & equiv. available at holdings* | *102* | *73* | *29* |
| Non-Current Financial Assets | 39 | 99 | (60) |
| **Total Financial Assets** | **685** | **710** | **(25)** |
| *Total Financial Assets net of accruals & derivatives MTM* | *616* | *605* | *11* |
| **Net Financial Position** | **(2,298)** | **(2,157)** | **(141)** |

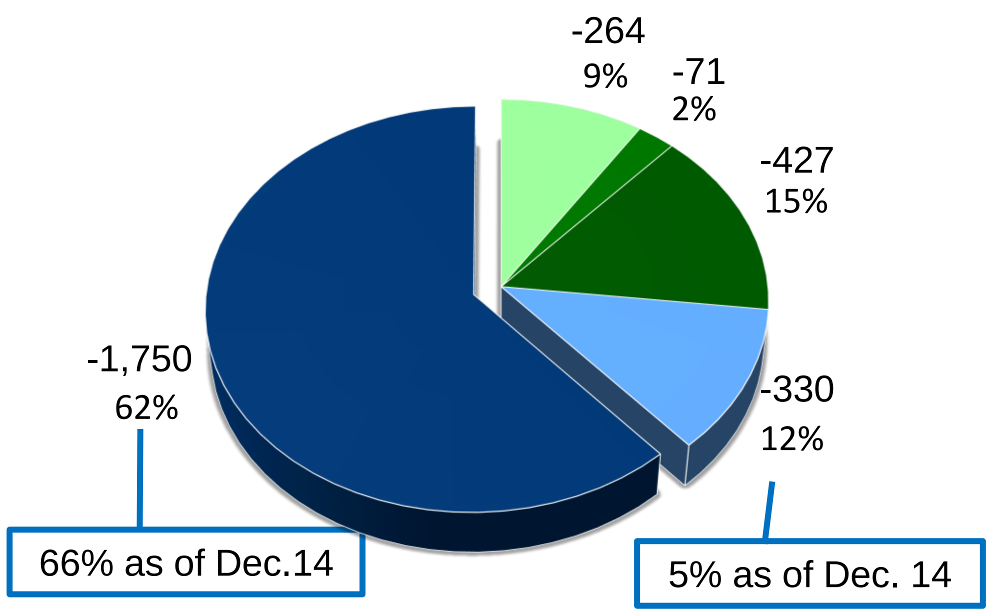
# Gross debt maturity profile as of September 30, 2015

Pending HeidelbergCement transaction, no medium term funding activity and consequently shorter debt maturity profile. Bank-sourced debt down to 26% of total

**Gross Debt* Maturity profile**
Total 2,842M€ as of September 30, 2015




**Gross Debt Composition**
Total 2,842M€ as of September 30, 2015



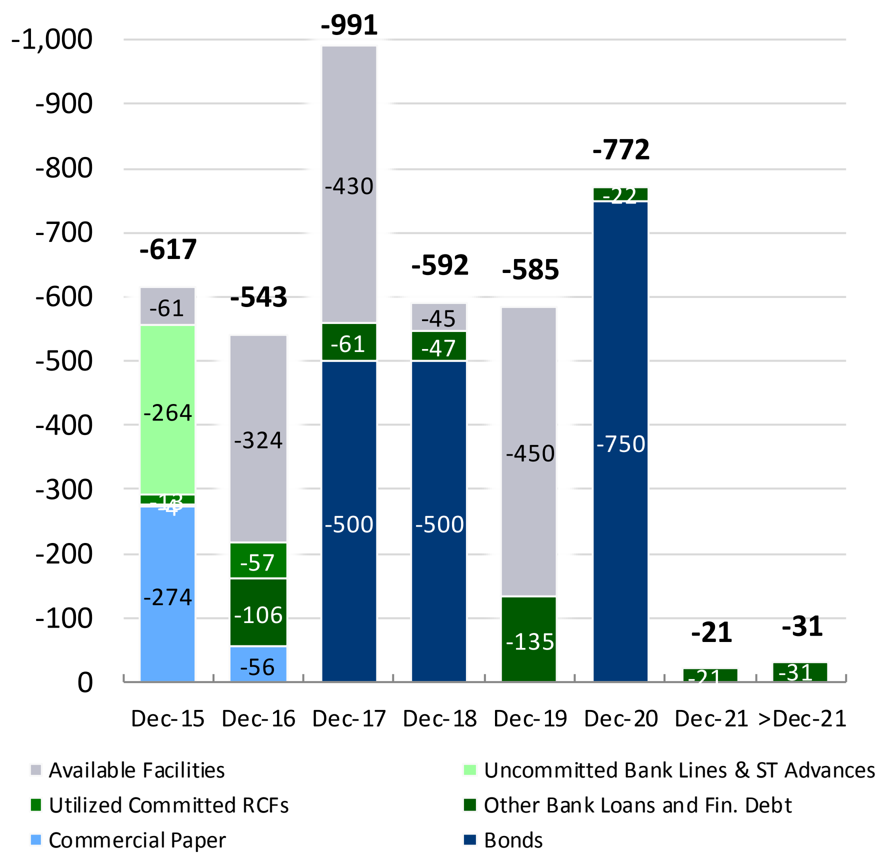

**Capital market weight at 74% vs. 71% (Dec. 14)**

(*) Face value of financial debt instruments, excluding accrued interests, fair value adjustments and MTM of derivatives as of September 2015
Gross debt as per balance sheet is equal to 2,983M€ in September '15 vs. 2,867M€ in December '14

# Liquidity profile as of September 30, 2015

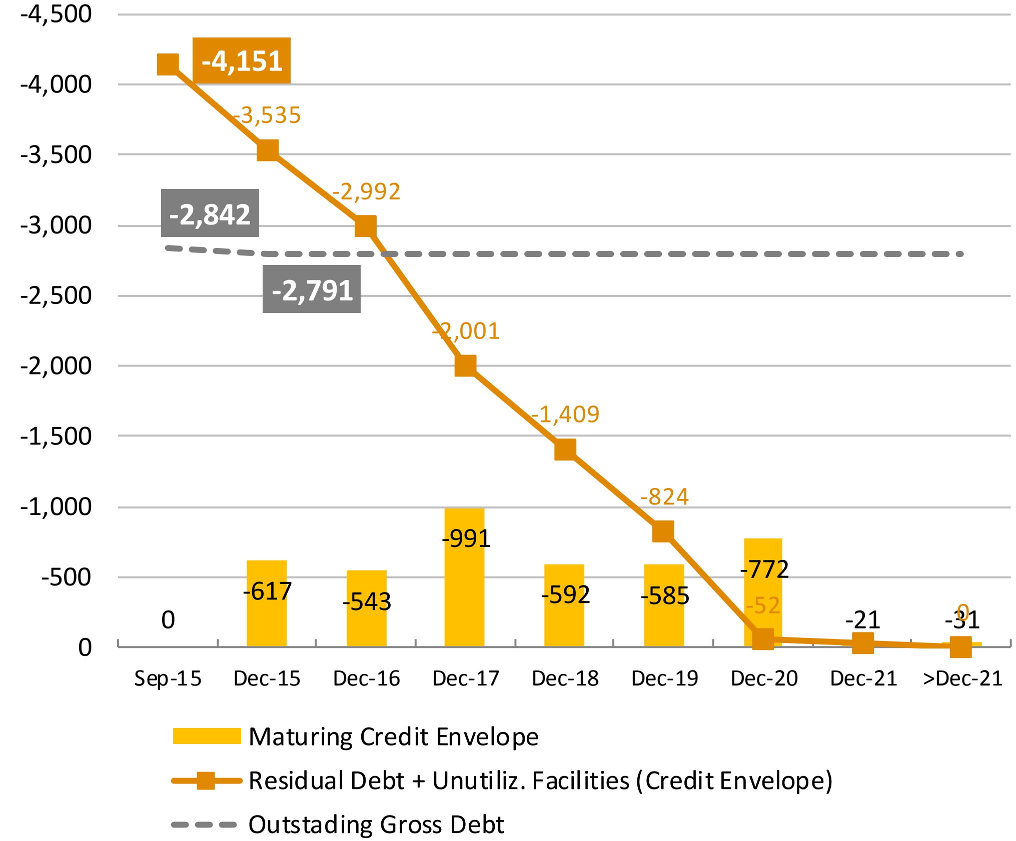
Backstop facilities cover maturities through December 2016. Change of control waivers already obtained from quasi-totality of lenders, rest in process

**Credit Envelope Maturity Profile** | M€




**Liquidity Headroom** | M€ as of 09/30/2015

*Unutilized RCFs: 1.27B€ vs. 1.31B€ on 12/31/14*



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30 September 2015 Group Results

**2015 Outlook**

# Updated Outlook 2015 vs. 2014: Mature Countries

Revised down to reflect Q3/Q4 weakness in Europe

## Europe

| | | | |
|---|---|---|---|
| **Italy Operations** | Market volume -6.0% / -4.0% | Cement Price -1.0% / -3.0% | Rec.EBITDA ↑ |
| **France** | Market volume -7.0% / -5.0% | Cement Price -4.0% / -2.0% | Rec.EBITDA ↓ |

- Rec. EBITDA forecast revised down in spite of efficiency actions

| | | | |
|---|---|---|---|
| **Spain (N.+S.)** | Market volume +2.0% / +4.0% | Cement Price -9.0% / -7.0% | Rec.EBITDA ↓ |
| **Greece** | Market volume -15% / -10% | Cement Price +2.0% / +4.0% | Rec.EBITDA ↓ |
| **Bulgaria** | Market volume FLAT / +2.0% | Cement Price -2.0% / FLAT | Rec.EBITDA ↑ |

## North America

| | | | |
|---|---|---|---|
| **N. America** (Group market area) | Market volume +2.0% / +4.0% | Cement Price +3.0% / +5.0% | Rec.EBITDA ↑ |

- Rec. EBITDA forecast affected by maintenance spending

Better than prior outlook : >1% (vol./price) / >5M€ (Rec. EBITDA) | Stable vs. prior outlook | Worse than prior outlook: <1% / <5M€

# Updated Outlook 2015 vs. 2014: Emerging Countries

Revised down to reflect Q3/Q4 price competition in slower Egypt and broad demand weakness in Asia

## North Africa & Middle East

| | | | |
|---|---|---|---|
| **Egypt** | Market volume FLAT / +2.0% | Cement Price -10% / -15% | Rec.EBITDA ↓ |

- Supply-demand imbalance (driven by a much improved energy availability - coal utilization and more steady supply of mazot) and lower cement prices are likely to remain for the rest of 2015

| | | | |
|---|---|---|---|
| **Morocco** | Market volume -2.0% / FLAT | Cement Price +3.0% / +5.0% | Rec.EBITDA ↑ |

## Asia

| | | | |
|---|---|---|---|
| **Thailand** | Market volume -1.0% / +1.0% | Cement Price -5.0% / -3.0% | Rec.EBITDA ↑ |

- Less than expected price pressure

| | | | |
|---|---|---|---|
| **South India** | Market volume -9.0% / -7.0% | Cement Price +10% / +15% | Rec.EBITDA ↑ |

- Rec. EBITDA resilient in spite of soft demand thanks to pricing and efficiencies

| | | | |
|---|---|---|---|
| **Kazakhstan** | Market volume +10% / +12% | Cement Price -3.0% / -1.0% | Rec.EBITDA ↓ |

Better than prior outlook : >1% (vol./price) / >5M€ (Rec. EBITDA) | Stable vs. prior outlook | Worse than prior outlook: <1% / <5M€

# Outlook

- Given Q3/Q4 trends in several key markets, Rec. EBITDA outlook revised to slightly negative vs. previous year
- Net Debt at year end still at prior forecast levels (slight increase vs. 2014) thanks to offsetting CapEx and Working Capital actions
- Recovery expectations for 2016 not impaired but, sequentially, H1 will start from adverse H2’15 baseline
- Focus on cash flow is key driver of 2016 budget planning with significant selectivity applied to CapEx spending

# Appendix 1

## 9M 2015

# Q3/9M 2015 cement volume sales variance by country

| | Domestic + Export Cement & Clinker Q3 | Domestic + Export Cement & Clinker 9M |
|---|---|---|
| Italy | -11.1% | -5.0% |
| France - Belgium | -5.9% | -5.4% |
| Spain | -12.2% / -2.6%(*) | -6.9% / +1.1%(*) |
| Greece | -21.8% | -14.1% |
| Bulgaria | +53.8% / +8.8%(*) | +34.5% / +5.2%(*) |
| North America | +0.2% | +1.8% |
| Morocco | -15.8% / -7.4%(*) | -4.2% / -2.6%(*) |
| Egypt | -5.7% / -8.4%(*) | -5.5% / -4.5%(*) |
| Kuwait | +7.7% | +29.3% |
| Thailand | -2.8% / -1.7%(*) | +5.7% / +0.6%(*) |
| India | -6.8% | -9.8% |
| Kazakhstan | +1.3% | +16.9% |
| Total | -4.1% / -5.7%(*) | -1.4% / -3.1%(*) |

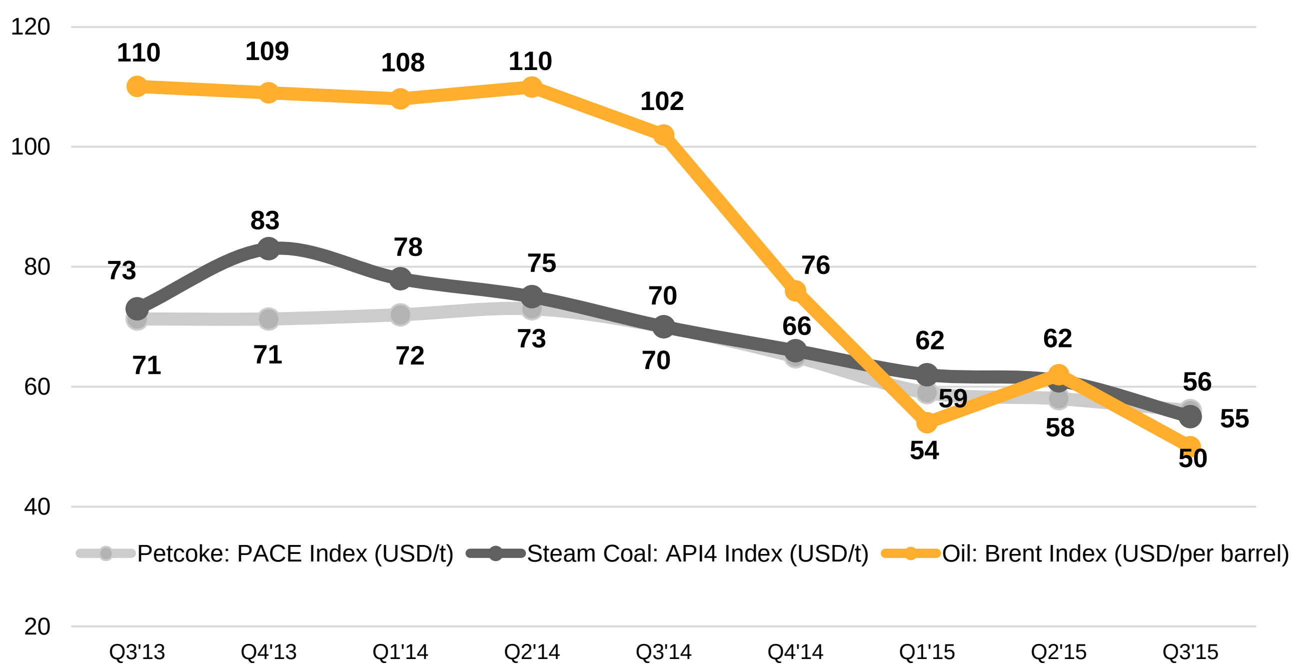
(*) Cement domestic sales

# Revenue by country

| M€ | Q3 2015 | Q3 2014 | % Chg 15-14 | 9M 2015 | 9M 2014 | % Change 15-14 Actual | % Change 15-14 LfL |
|---|---|---|---|---|---|---|---|
| Italy | 141 | 154 | -8.0% | 426 | 452 | -5.7% | -5.7% |
| France/Belgium | 304 | 342 | -11.0% | 961 | 1,045 | -8.1% | -8.4% |
| Spain | 24 | 27 | -12.7% | 75 | 81 | -7.0% | -7.0% |
| Greece | 5 | 7 | -27.9% | 19 | 22 | -16.0% | -16.0% |
| Bulgaria | 19 | 15 | 29.4% | 51 | 43 | 20.1% | 20.1% |
| *Eliminations* | -5 | -6 | - | -16 | -17 | - | - |
| **Europe** | **489** | **539** | **-9.4%** | **1,516** | **1,626** | **-6.8%** | **-7.0%** |
| **North America** | **183** | **142** | **28.6%** | **425** | **327** | **30.0%** | **6.9%** |
| Egypt | 121 | 144 | -16.3% | 419 | 437 | -4.1% | -14.6% |
| Morocco | 77 | 76 | 1.8% | 256 | 237 | 8.3% | 4.6% |
| Kuwait | 14 | 12 | 13.7% | 52 | 40 | 27.5% | 11.4% |
| Saudi Arabia | 2 | 2 | 3.6% | 6 | 5 | 16.7% | -4.0% |
| **North Africa Middle East** | **214** | **234** | **-8.7%** | **733** | **719** | **1.9%** | **-6.8%** |
| Thailand | 69 | 68 | 2.4% | 232 | 201 | 15.6% | -1.0% |
| India | 67 | 59 | 13.9% | 218 | 170 | 28.1% | 10.2% |
| Kazakhstan | 13 | 13 | -0.2% | 36 | 29 | 24.2% | 12.6% |
| **Asia** | **150** | **140** | **7.0%** | **486** | **400** | **21.5%** | **4.8%** |
| Trading Cement & Clinker | 34 | 52 | -33.9% | 125 | 154 | -18.6% | -28.2% |
| Others | 75 | 76 | -0.8% | 249 | 239 | 4.1% | -2.9% |
| Eliminations | -95 | -116 | n.s. | -317 | -350 | n.s. | n.s. |
| **Total** | **1,049** | **1,067** | **-1.7%** | **3,217** | **3,116** | **3.2%** | **-3.9%** |

# Petcoke, Steam Coal and Oil

**Petcoke, steam coal and oil market prices – USD**



# Recurring EBITDA by country

| M€ | Q3 2015 | Q3 2015 % on sales | Q3 2014 | Q3 2014 % on sales | Change 15 vs. 14 | | 9M 2015 | 9M 2015 % on sales | 9M 2014 | 9M 2014 % on sales | Change 15 vs. 14 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 0 | 0.2% | 2 | 1.4% | -2 | -86% | 35 | 8.1% | 17 | 3.7% | 18 | >100% |
| France/Belgium | 47 | 15.4% | 59 | 17.3% | -12 | -21% | 127 | 13.3% | 170 | 16.3% | -42 | -25% |
| Spain | 0 | 0.3% | 2 | 7.3% | -2 | -97% | 1 | 1.2% | 9 | 10.5% | -8 | -90% |
| Greece | -1 | -17.6% | 0 | -5.1% | -1 | n.s. | -1 | -6.0% | 1 | 2.4% | -2 | n.s. |
| Bulgaria | 7 | 36.3% | 3 | 18.2% | 4 | 159% | 25 | 48.5% | 10 | 23.5% | 15 | >100% |
| **Europe** | **53** | **10.9%** | **66** | **12.2%** | **-12** | **-19%** | **187** | **12.3%** | **206** | **12.6%** | **-19** | **-9%** |
| **North America** | **35** | **18.9%** | **26** | **18.2%** | **9** | **34%** | **36** | **8.6%** | **20** | **6.0%** | **17** | **85%** |
| Egypt | 1 | 0.6% | 13 | 9.1% | -12 | -94% | 41 | 9.7% | 77 | 17.6% | -36 | -47% |
| Morocco | 39 | 50.9% | 37 | 48.1% | 3 | 8% | 113 | 44.2% | 103 | 43.7% | 10 | 10% |
| Kuwait | 1 | 4.9% | 0 | 1.5% | 1 | n.s. | 2 | 4.6% | 2 | 4.3% | 1 | 37% |
| Others | 0 | 6.5% | 0 | 5.1% | 0 | 33% | 1 | 11.2% | 0 | 7.6% | 0 | 71% |
| **North Africa and Middle East** | **41** | **19.1%** | **50** | **21.3%** | **-9** | **-18%** | **157** | **21.4%** | **182** | **25.3%** | **-25** | **-14%** |
| Thailand | 18 | 25.6% | 17 | 24.6% | 1 | 7% | 57 | 24.4% | 49 | 24.4% | 8 | 16% |
| India | 12 | 18.1% | 7 | 12.1% | 5 | 71% | 39 | 17.9% | 14 | 8.1% | 25 | 182% |
| Kazakhstan | 0 | 1.6% | 5 | 33.9% | -4 | -95% | -3 | -8.1% | 3 | 11.9% | -6 | n.s. |
| **Asia** | **30** | **20.1%** | **28** | **20.2%** | **2** | **7%** | **93** | **19.1%** | **66** | **16.6%** | **27** | **40%** |
| Trading Cement & Clinker | 2 | 5.3% | 2 | 4.3% | 0 | -18% | 14 | 10.8% | 8 | 5.0% | 6 | 76% |
| Others and Eliminations | -2 | n.s. | -6 | n.s. | 3 | n.s. | -4 | n.s. | -7 | n.s. | 3 | n.s. |
| **Total** | **158** | **15.1%** | **166** | **15.6%** | **-8** | **-5%** | **483** | **15.0%** | **475** | **15.2%** | **8** | **2%** |

# Income statement (1/2)

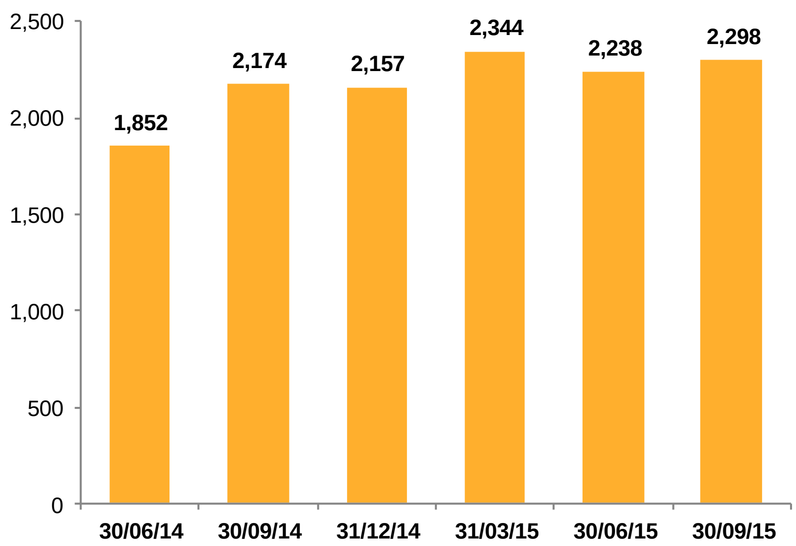
| M€ | 9M 2015 | 9M 2014 | Change | % Change |
|---|---|---|---|---|
| Revenue | 3,217 | 3,116 | 101 | 3.2% |
| **Recurring EBITDA** | **483** | **475** | **8** | 1.7% |
| *% on revenues* | 15.0% | 15.2% | | |
| Other non rec. income / (expenses) | -17 | -0 | -16 | ns |
| **EBITDA** | **466** | **475** | **-8** | -1.7% |
| *% on revenues* | 14.5% | 15.2% | | |
| Amortization and depreciation | -306 | -299 | -7 | 2.2% |
| Impairment losses on non-current assets | 5 | -9 | 14 | |
| **EBIT** | **166** | **166** | **-1** | -0.4% |
| *% on revenues* | 5.1% | 5.3% | | |

# Income statement (2/2)

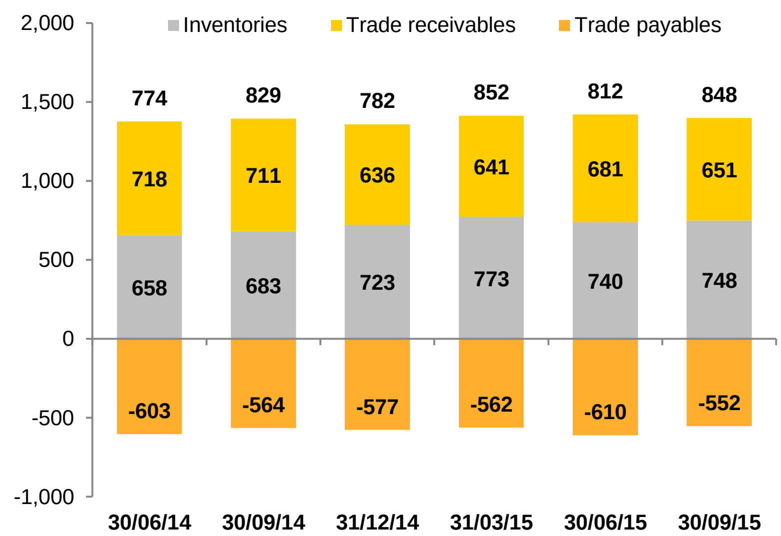
| M€ | 9M 2015 | 9M 2014 | Change | % Change |
|---|---|---|---|---|
| **EBIT** | **166** | **166** | **-1** | **-0.4%** |
| Net financial expenses | -112 | -103 | -9 | -8.5% |
| Impairment of financial assets | 0 | -27 | 27 | n.s. |
| Share of profit/(loss) of associates | 7 | 10 | -3 | -27.6% |
| **Profit before Tax (PBT)** | **61** | **46** | **15** | **31.8%** |
| Income tax expense | -69 | -110 | 41 | -37.2% |
| **Profit (loss) for the period** | **-8** | **-64** | **56** | **87.3%** |
| *Of which:* Owner of parent | -55 | -113 | 57 | 50.9% |
| *Of which:* Non-controlling interests | 47 | 49 | -2 | -3.5% |

# Net Debt and Operating Working Capital

## Net Debt (*) – M€




## Operating Working Capital – M€




(*) June '14 Pro-forma Net Debt after completion of P150 transactions: 2,076M€

# Units of national currency for 1 Euro

| | Average Rates 9M 2015 | 9M 2014 | % Change (*) | Closing Rates 30 Sep 2015 | 31 Dec 2014 | % Change (*) |
|---|---|---|---|---|---|---|
| Egyptian pound | 8.52 | 9.57 | 12.3% | 8.76 | 8.69 | -0.9% |
| Indian rupee | 70.85 | 82.26 | 16.1% | 73.48 | 76.72 | 4.4% |
| Kazakh tenge | 219.27 | 241.95 | 10.3% | 303.83 | 221.46 | -27.1% |
| Moroccan dirham | 10.82 | 11.21 | 3.6% | 10.88 | 10.98 | 0.9% |
| US dollar | 1.11 | 1.35 | 21.6% | 1.12 | 1.21 | 8.4% |
| Swiss franc | 1.06 | 1.22 | 14.7% | 1.09 | 1.20 | 10.2% |
| Thai baht | 37.62 | 43.91 | 16.7% | 40.71 | 39.91 | -2.0% |
| Bulgarian Lev | 1.96 | 1.96 | 0.0% | 1.96 | 1.96 | 0.0% |

(*)

+ Local currency appreciation
- Local currency depreciation

# Appendix 2

## FY 2014

# 2014 in summary

| | |
|---|---|
| **Project i.150 Completed** | Simplified and strengthened Group equity structure, moving from three to one class of shares:<br>❑ Savings shares mandatory conversion<br>❑ 500M€ Capital Increase earmarked to …<br>❑ …Ciments Français minorities buy-out |
| **Industrial Efficiency Improved** | Rezzato and Devnya revampings completed<br>2 coal grinders in Egypt on track<br>Alternative Fuels at 11% (9.3% in 2013)<br>68M€ cost reduction in line with targets |
| **2014 Targets Achieved** | Return to Growth in Rec. EBITDA: +20M€ at 649M€<br>Net Financial Debt contained at 2,157M€ after ~500M€ CapEx<br>Innovation and marketing focus (i.nova system): Innovation Rate grows to 6.6% (5.3% in 2013), with 271M€ in revenues (+21%) |

# A more efficient presence in mature and emerging countries

## Rezzato - Italy

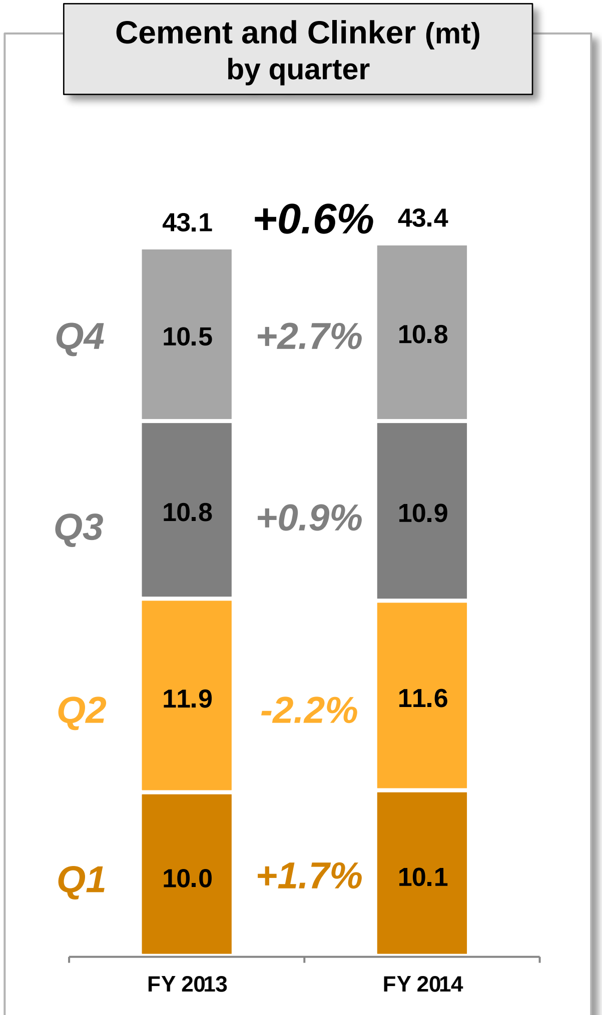
- State-of-the-art core plant in Northern Italy alongside Calusco
- 1.3mt/y cement capacity (excluding white cement)
- 150M€ Capex, on time and on budget
- 75% emissions reduction and 30% variable costs reduction
- 2015 expected incremental Rec. EBITDA at 10+M€, steady-state >20M€ depending on market size

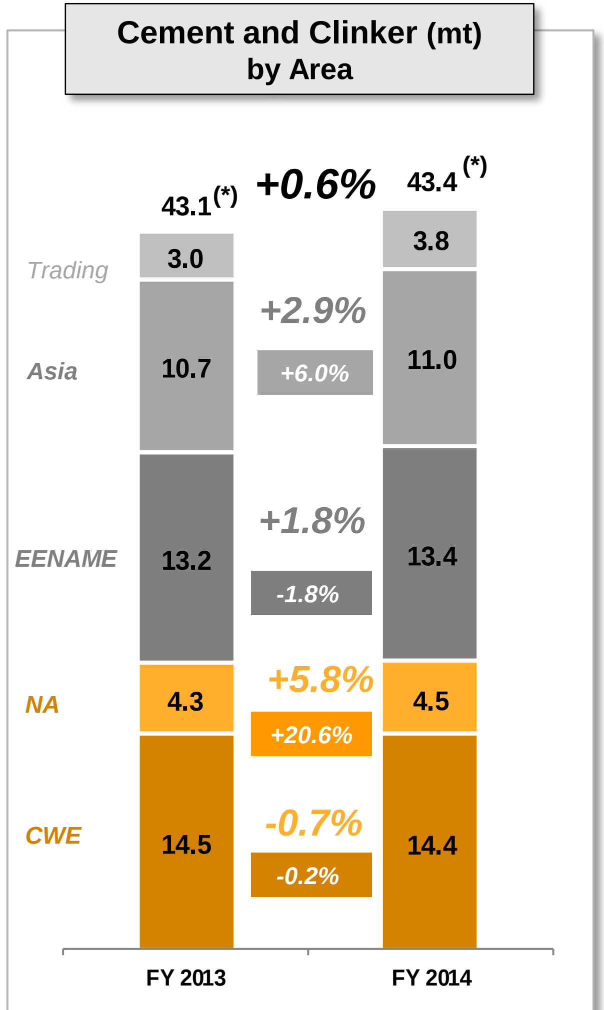
## Devnya - Bulgaria

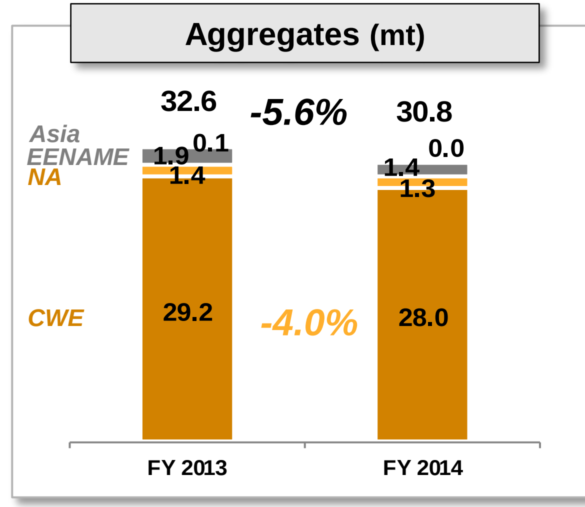
- 1.5mt/y cement capacity
- >160M€ Capex, ahead of time and on budget
- Start-up in October 2014. Full ramp-up in early 2015
- More than 30% reduction in fixed and variable costs
- Strong emissions reduction (more than 50% $NO_x$ and more than 80% $SO_x$)
- 2015 expected incremental Rec. EBITDA at 10M€, steady-state >15M€

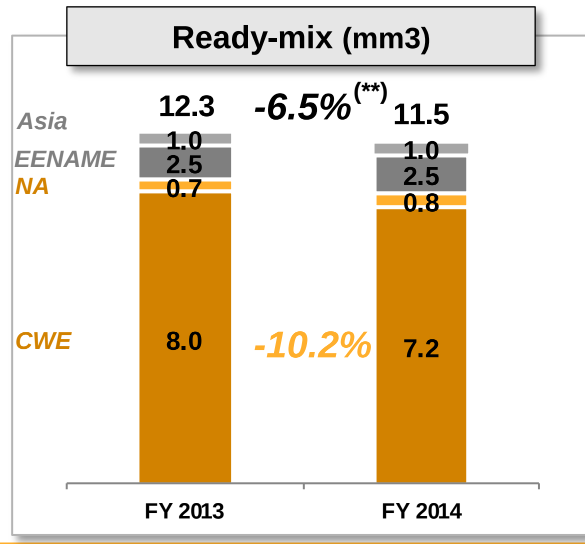
# Sales volumes by business

FY14 cement volumes stabilized after 6-year downturn; good Q4. Europe still weak, more than compensated by N. America; main emerging markets positive with the exception of Morocco. Trading growth complements domestic markets sales. Contraction of aggregates and ready-mix



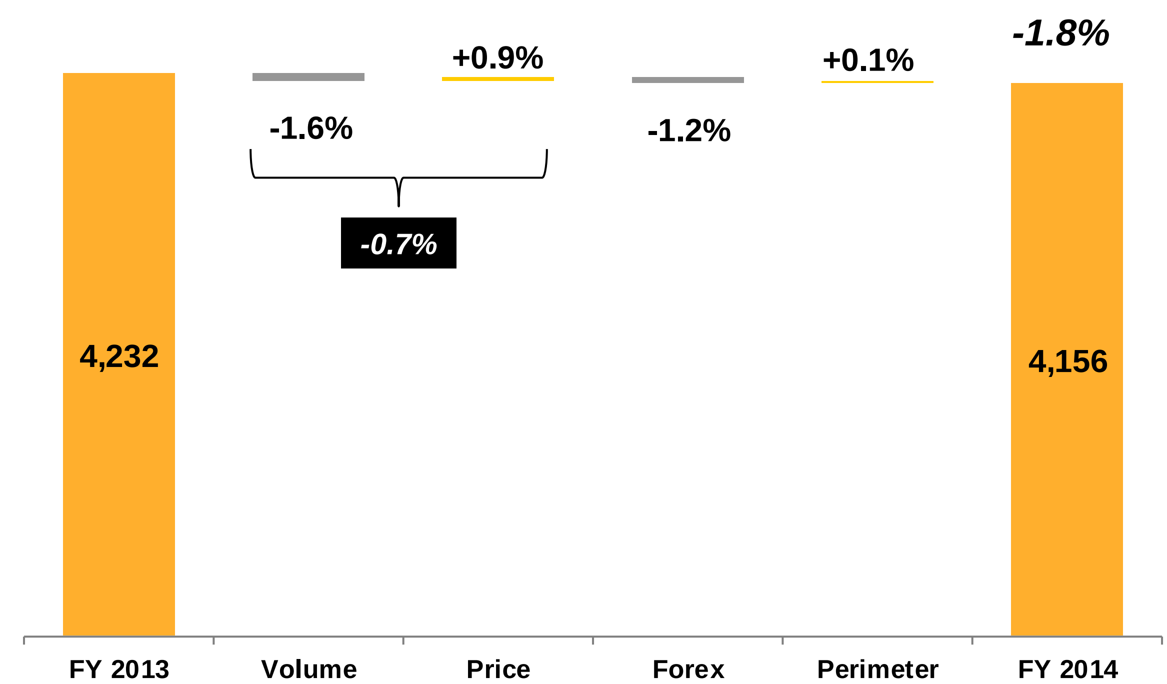

(*) Including eliminations for 3.7*mt* in 2014 and 2.5*mt* in 2013 (**) -7.0% on a like-for-like basis – 2014 perimeter

*Q4 chg.*

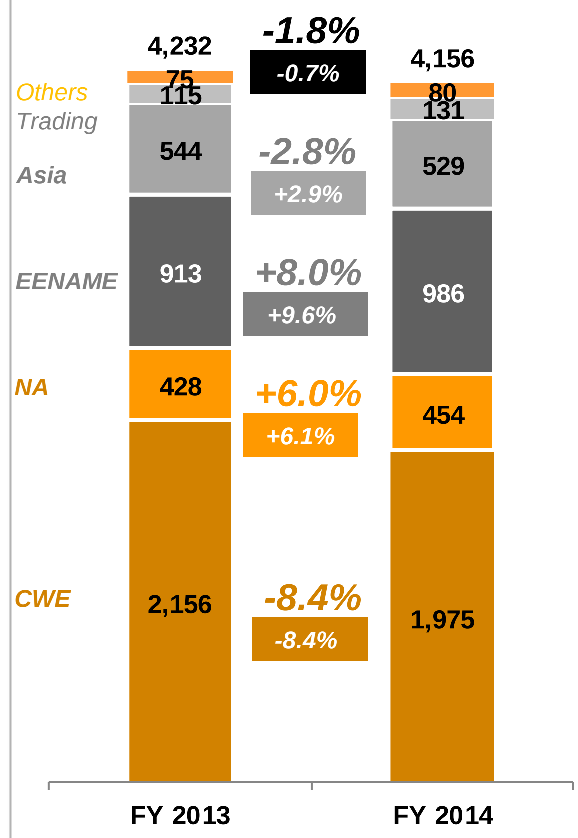
# Revenue

L-f-l FY 2014 revenue slightly below 2013 level (-0.7%). Volume effect driven by cement market mix and RMC/Aggregates. Positive price trend mainly in Egypt, Thailand and Morocco offsetting pressure in Italy and France/Belgium. Negative FX effect in FY but Q4 turned positive

**FY 2014 vs. FY 2013 – M€**

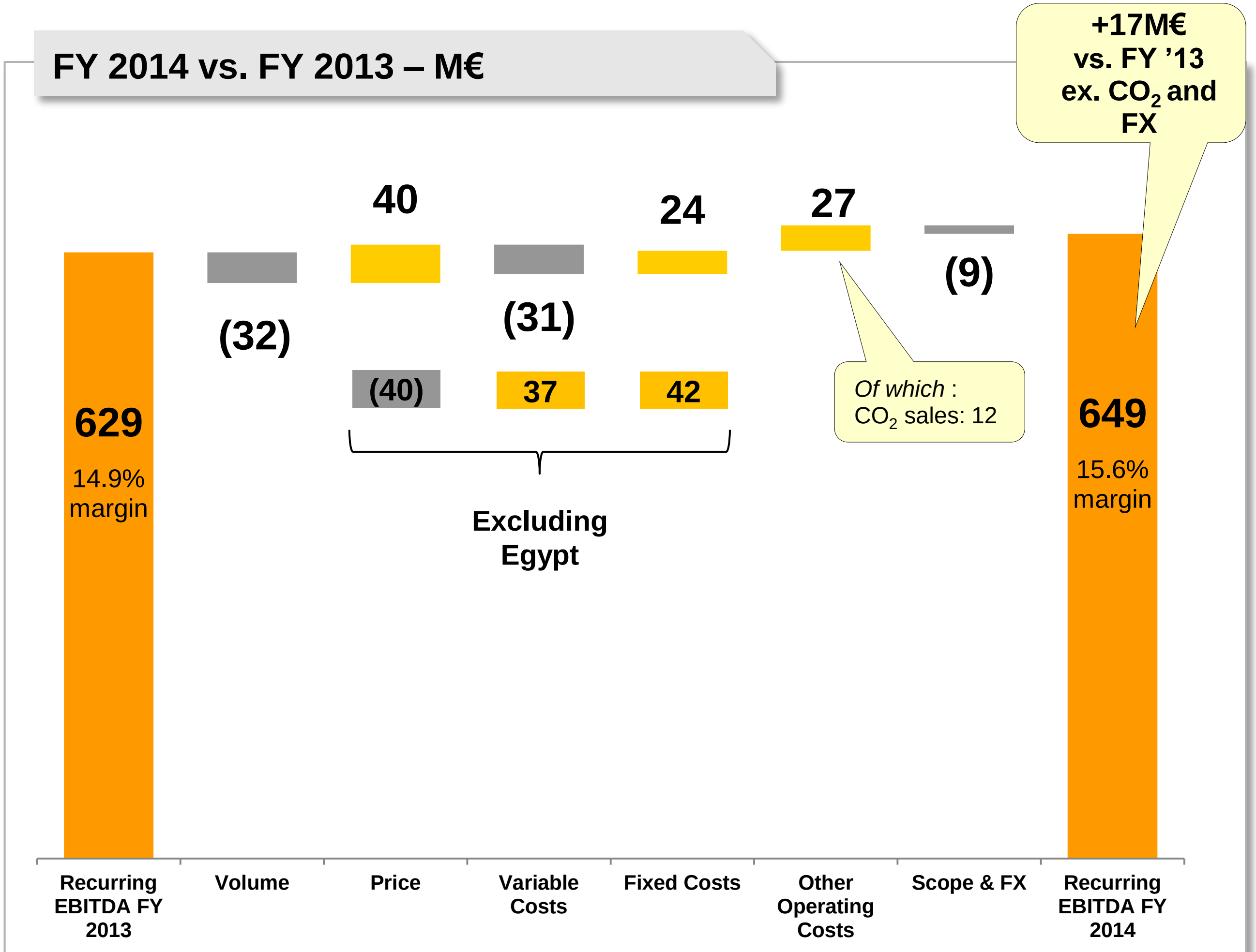



**FY Breakdown by Area – M€**
**(after eliminations)**




Like-for-like

# FY Rec. EBITDA variance analysis by driver

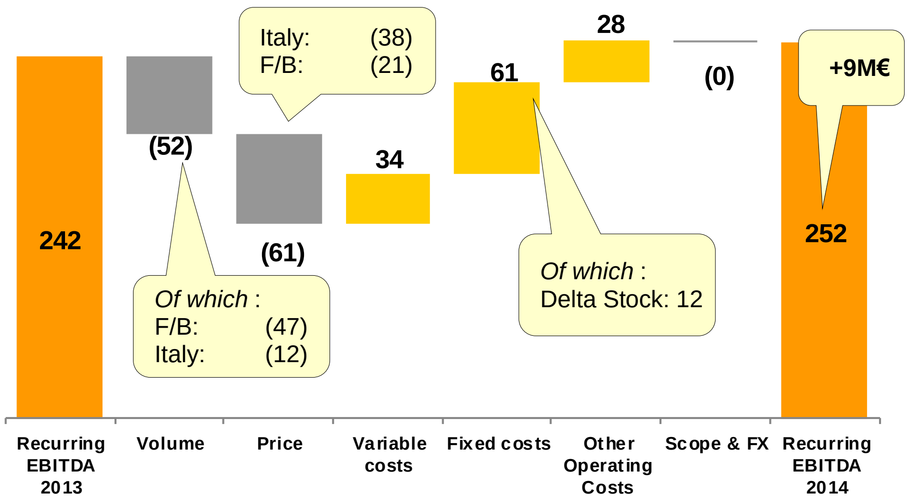



- **Volume effect** dragged down by France/Belgium but positive trends confirmed in NA and Thailand while Spain and Greece showed signs of recovery
- Excluding Egypt:
  - **Price/variable cost spread** almost neutral in 2014 reflecting efficiency actions in an overall deflationary environment
  - After the resolution of production issues, positive **fixed cost** results are now more visible
- FY **FX effect** is negative due to Thailand and Egypt, with a reversal trend in Q4

# Central and Western Europe

9M€ EBITDA growth in spite of 113M€ adverse market (volume and price) effects

**FY – Rec. EBITDA variance analysis M€**




| | *of which* | % Chg | M€ Chg | |
|---|---|---|---|---|
| -15 | **Italy** | n.s. | 35 | 19 |
| 264 | **France/Belgium** | -15.8% | -42 | 222 |

## Italy

- Another positive quarter in a persistently weak business environment thanks to positive impact of self-help
- Broadly flat cement volumes and partial recovery of market share
- Price decline remains at a high single digit level in Q4
- Rezzato start-up in early November

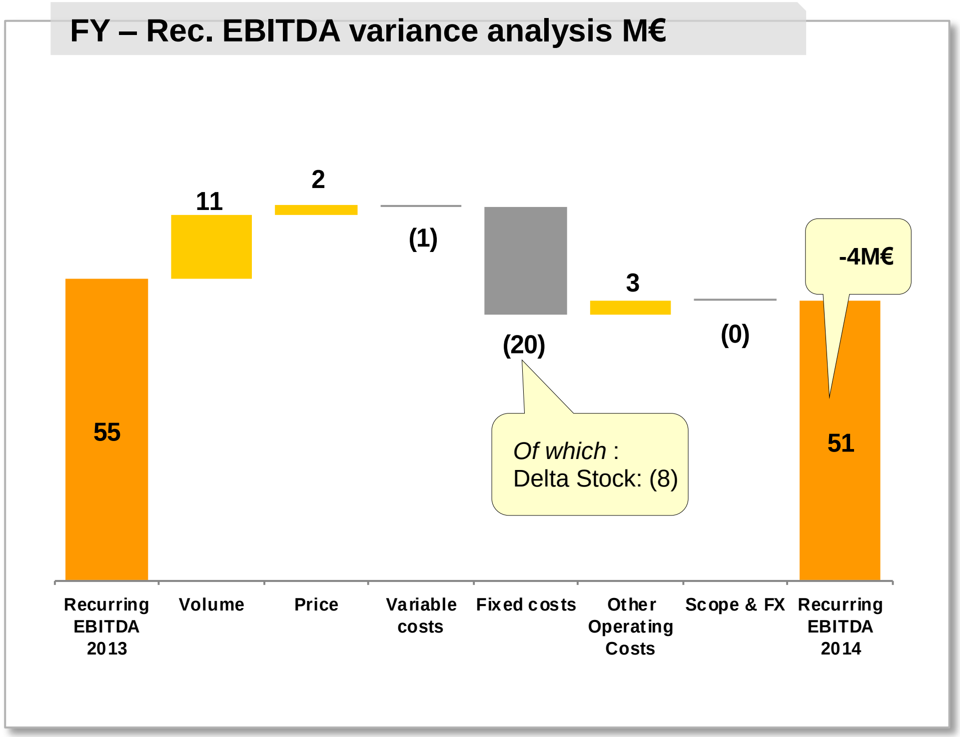
## France / Belgium

- Cement consumption continues to be weak
- Competitive business environment (Holcim assets disposal)
- Strong efforts to reduce costs in Q4 2014

## Spain and Greece

- Refocused on export strategy pending market recovery
- Positive Rec. EBITDA dynamics
(+6M€ vs. Q4 2013; +16M€ vs. FY 2013)

# North America

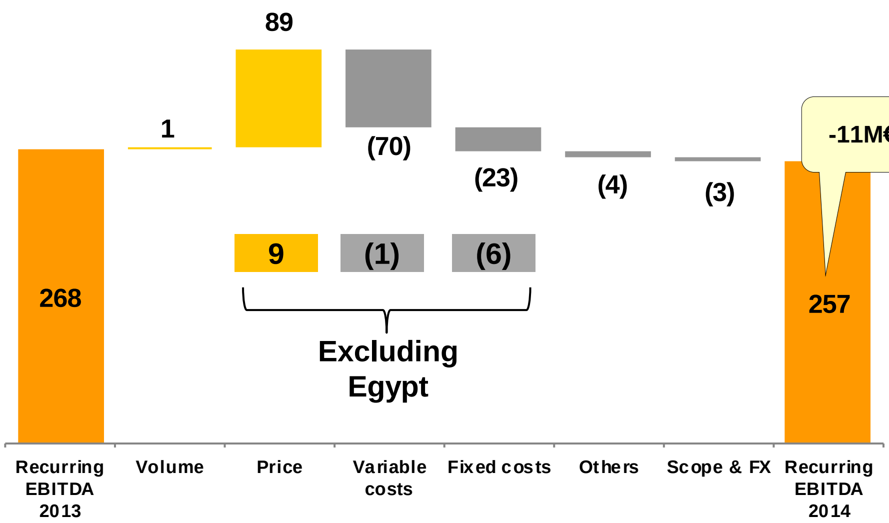



- Positive EBITDA trend since 2011 trough paused in 2014 due to
  - Weather-related volumes in Q1
  - Production issues leading to higher than expected maintenance costs
- Volume growth driven by remarkable results in Q4 (market + base effect)

# Emerging Europe, North Africa and Middle East

## Conditions remain volatile in Egypt and Morocco still sluggish

### FY – Rec. EBITDA variance analysis M€




| | *of which* | % Chg | M€ Chg | |
|---|---|---|---|---|
| 110 | Egypt | -4.2% | -5 | 106 |
| 143 | Morocco | -4.3% | -6 | 137 |

### Egypt

- Positive cement volume trend hampered by decline in Q4 due to unfavorable weather in December and competitive pressure
- Favorable price dynamics compensate higher variable costs (including clinker imports)
- As planned, fixed cost effect impacted by higher maintenance, after 2013 compression
- Completion of Kattameya and Suez coal mill projects (~35% of fuel mix) to lead to sharp clinker imports reduction in 2015

### Morocco

- Soft market volume conditions, further hit by rain in November-December
- Positive price dynamics
- Focus on distribution network along coastal areas to consolidate customer base

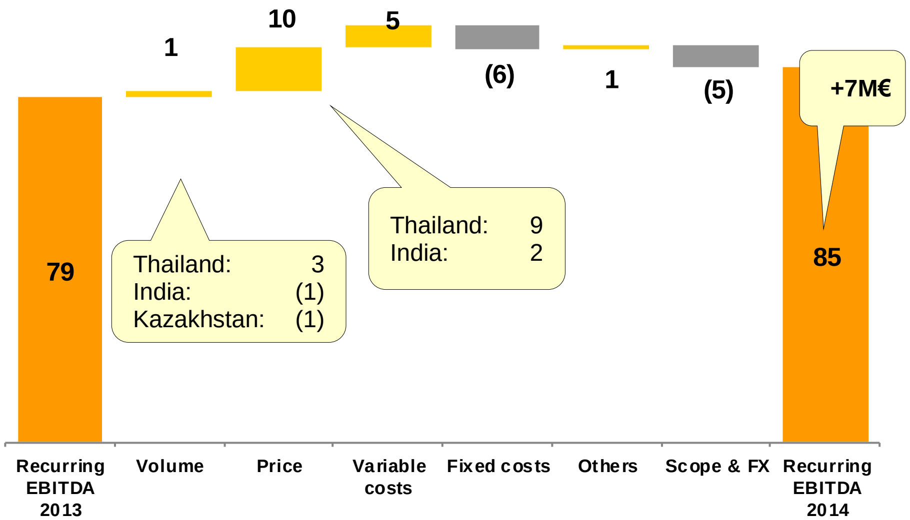
### Bulgaria

- Recovery in domestic cement sales: +8.4% (FY)
- Devnya revamping completed on time in October

# Asia

## Strong performance in Thailand more than compensates H1 weakness in India

### FY – Rec. EBITDA variance analysis M€




| | *of which* | % Chg | M€ Chg | |
|---|---|---|---|---|
| **27** | **India** | **-32.1%** | **-9** | **18** |
| **52** | **Thailand** | **24.4%** | **13** | **64** |

### Thailand

- Continuing solid results with Rec. EBITDA margin above 20% also thanks to positive effects of Waste Heat Recovery System
- 1M€ positive FX effect in Q4 2014 while YTD headwind remains at 4M€

### India

- After 6 quarters of disappointing performance, H2 2014 recovery driven primarily by strong price rebound
- Ongoing focus on distribution: Solapur cement grinding center and Cochin terminal expected to be operational in H2 2015

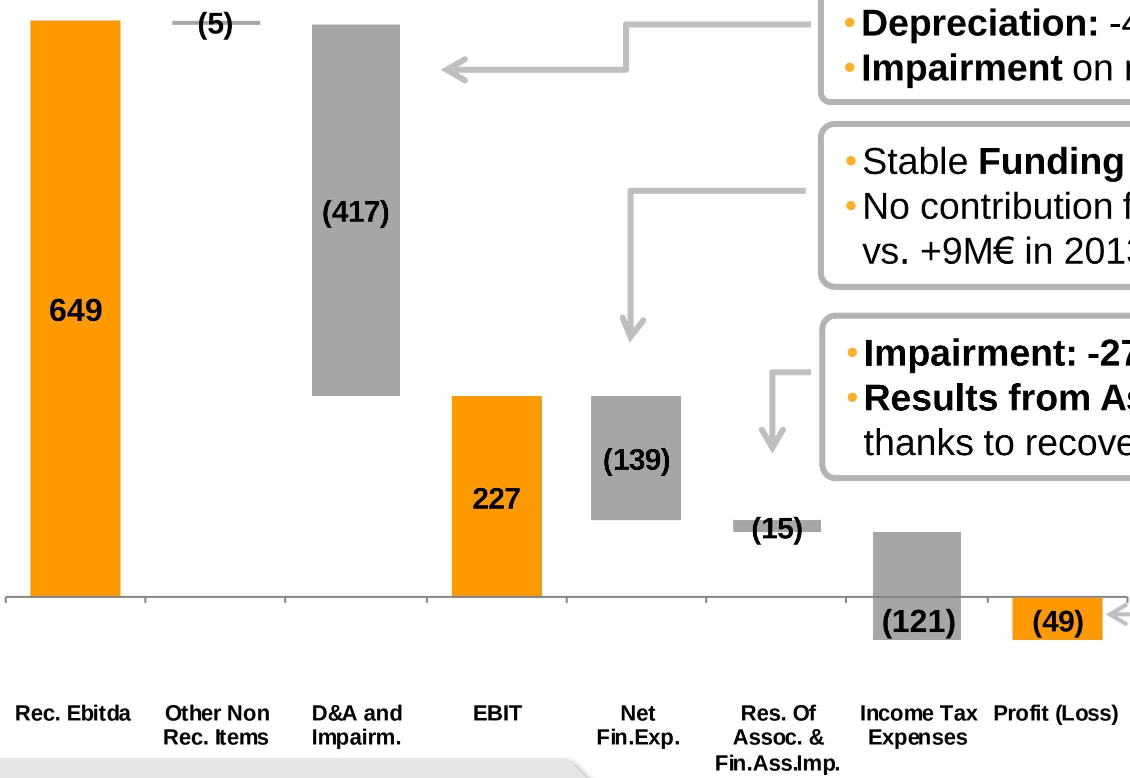
### Kazakhstan

- Revamping of Shymkent wet line launched in Q3, completion in H1 2016 with EBRD financing support

# Non-operating P&L items

Strong EBIT improvement (67M€) on Rec. EBITDA and lower D&A and impairments.
58M€ improvement in Owners of the Parent net result, including elimination of CF minorities

**FY 2014 – M€**




- **Depreciation:** -408M€ (vs. -425M€)
- **Impairment** on non current assets: -9M€ (vs. -32M€)

- Stable **Funding costs: -101M€** vs PY -98M€
- No contribution from $CO_2$ derivatives results (0M€ in 2014 vs. +9M€ in 2013)

- **Impairment: -27M€ (**25M€ related to WCC) vs. -16M€ PY
- **Results from Associates: +12M€** (vs. +7M€), mostly thanks to recovery at Vassiliko (Cyprus)

*of which:*
- ***Minorities: +58M€*** *(-19M€ vs PY)*
- ***Owners of the Parent: -107M€*** *(+58M€ vs PY)*

**FY 2013 – M€**

| Rec. Ebitda | Other Non Rec. Items | D&A and Impairm. | EBIT | Net Fin.Exp. | Res. Of Assoc. & Fin.Ass.Imp. | Income Tax Expenses | Profit (Loss) |
|---|---|---|---|---|---|---|---|
| 629 | (13) | (457) | 159 | (123) | (9) | (116) | (88) |

# Core financial expenses

Cost of debt stable at 4.5% thanks to interest rate risk management, despite maturities of legacy, low-spread credit lines

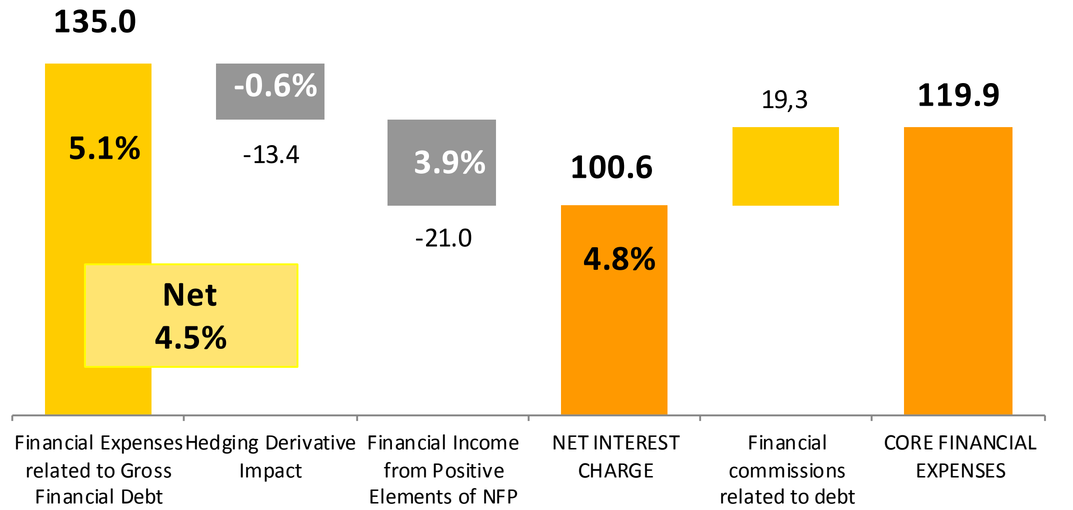
**Expenses on Gross Debt,** net of hedging derivatives impact grow by 6M€

- 6M€  volume effect
- 13M€ rate/spread effect (+0.6%),
- offset by 13M€ positive hedging derivative effect.

**Other**

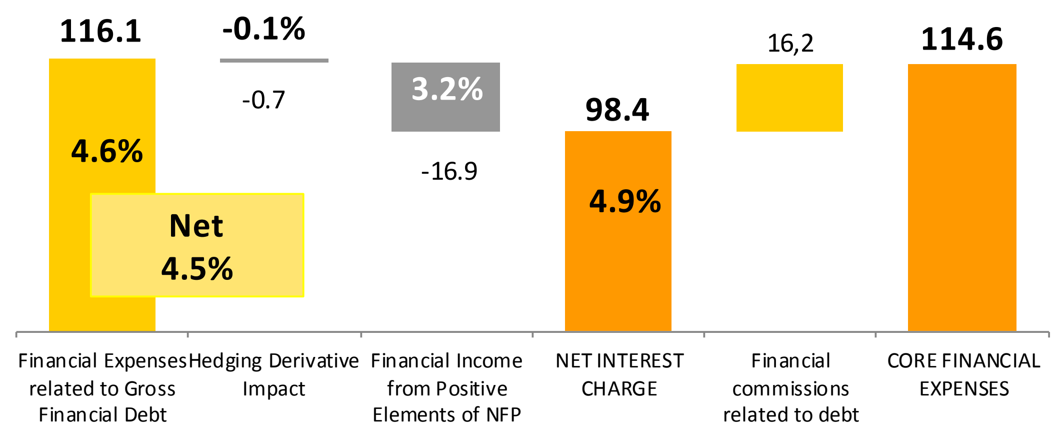
- 4M€ increase in income on positive elements of NFP (rate/mix effect)
- 3M€ increase in RCF commitment fees & other amortized upfront costs (spread effect plus upfront costs acceleration on early RCF cancellation)

**FY-2014**
**Core Financial Expenses**




*Percentages: avg rate on nominal gross debt , cash equivalents and net debt, respectively*

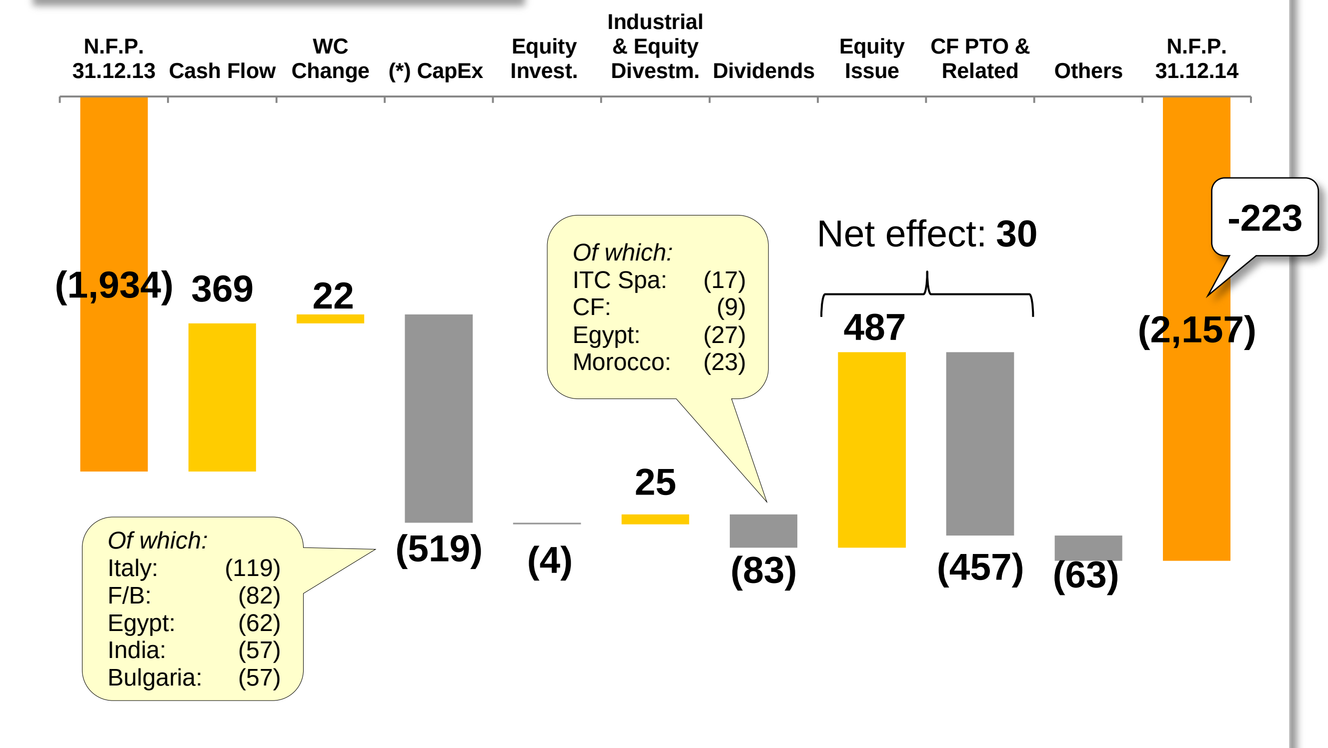
**FY-2013**
**Core Financial Expenses**



# Cash Flow

Net Debt grows on CapEx effort but contained below original target

**FY 2014 – M€**




**FY 2013 – M€**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (1,991) | 398 | 38 | (336) | (4) | 37 | (84) | 7 | (1,934) |
| N.F.P. 31.12.12 | | | | | | | | N.F.P. 31.12.13 |

(*) Including change in payables of -21M€ as of December 14 and +80M€ as of December 13

- Strong control on Working Capital maintained
- Increase in CapEx vs. 2013 driven by
  - Revamping in Rezzato (Italy) and Devnya (Bulgaria)
  - Coal grinding and environmental compliance in Egypt
  - Network development in India
- FX translation impacts year-end NFP by 29M€

# FY 2014 cement volume sales variance by country

| | Domestic + Export Cement & Clinker |
|---|---|
| **Italy** | **-0.6%** |
| **France - Belgium** | **-5.8%** |
| **Spain** | **+22.4%** |
| **Greece** | **+22.5%** |
| **North America** | **+5.8%** |
| **Bulgaria** | **-7.9%** |
| **Morocco** | **-2.3%** |
| **Egypt** | **+5.5%** |
| **Kuwait** | **-6.1%** |
| **Thailand** | **+4.7%** |
| **India** | **+1.4%** |
| **Kazakhstan** | **-3.5%** |
| **Total** | **+0.6%** |

Cement Domestic Sales **+1.0%**

Cement Domestic Sales **+8.4%**

Cement Domestic Sales **-5.1%**

Cement Domestic Sales **+0.5%**

# Revenue by country

| M€ | FY 2014 | FY 2013 | % Change 14-13 | |
|---|---|---|---|---|
| | | | Actual | LfL |
| Italy | 601 | 655 | -8.3% | -8.3% |
| France/Belgium | 1,363 | 1,474 | -7.6% | -7.6% |
| Spain | 108 | 99 | 8.2% | 8.2% |
| Greece | 29 | 24 | 21.1% | 21.1% |
| *Eliminations* | -20 | -17 | - | - |
| **Central Western Europe** | **2,080** | **2,235** | **-7.0%** | **-7.0%** |
| **North America** | **455** | **429** | **6.0%** | **6.1%** |
| Egypt | 589 | 499 | 18.0% | 21.7% |
| Morocco | 309 | 325 | -4.8% | -4.9% |
| Bulgaria | 57 | 59 | -4.1% | -4.1% |
| Kuwait | 59 | 57 | 3.4% | 3.7% |
| Saudi Arabia | 8 | 4 | 108.6% | 4.4% |
| **Emerging Europe North Africa Middle East** | **1,022** | **944** | **8.2%** | **9.8%** |
| Thailand | 271 | 269 | 0.7% | 6.5% |
| India | 228 | 227 | 0.7% | 4.7% |
| Kazakhstan | 39 | 49 | -21.5% | -7.4% |
| **Asia** | **538** | **545** | **-1.3%** | **4.5%** |
| Trading Cement & Clinker | 202 | 169 | 19.7% | 19.8% |
| Others | 328 | 308 | 6.2% | 5.5% |
| Eliminations | -469 | -399 | - | - |
| **Total** | **4,156** | **4,232** | **-1.8%** | **-0.7%** |

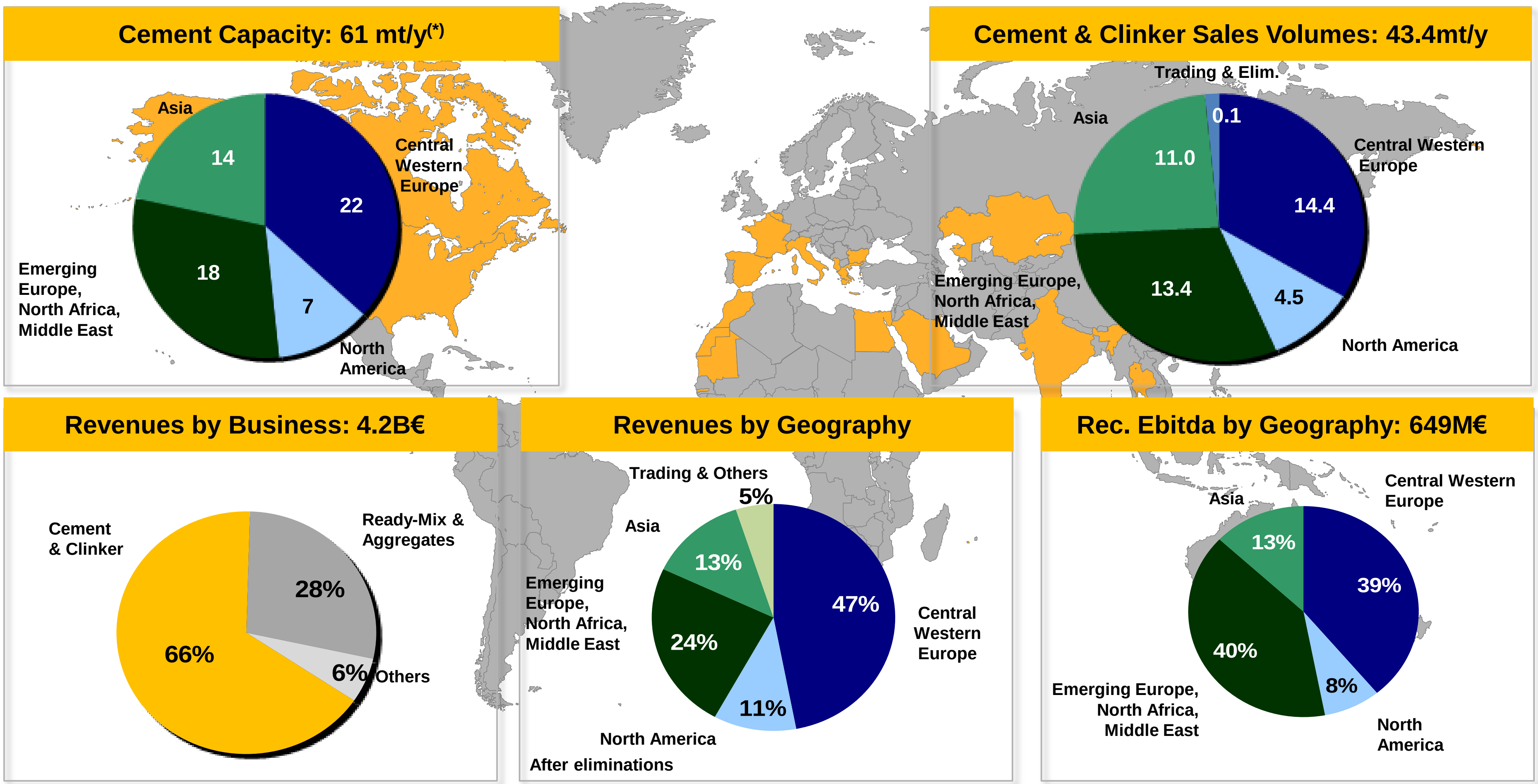
# Recurring EBITDA by country

| M€ | FY 2014 | FY 2014 % on sales | FY 2013 | FY 2013 % on sales | Change 14 vs. 13 | |
|---|---|---|---|---|---|---|
| Italy | 19 | 3.2% | -15 | -2.3% | 35 | n.s. |
| France/Belgium | 222 | 16.3% | 264 | 17.9% | -42 | -16% |
| Spain | 10 | 9.3% | -3 | -2.6% | 13 | n.s. |
| Greece | 0 | 0.4% | -4 | -15.6% | 4 | n.s. |
| **Central Western Europe** | **252** | **12.1%** | **242** | **10.8%** | **9** | **4%** |
| **North America** | **51** | **11.2%** | **55** | **12.8%** | **-4** | **-7%** |
| Egypt | 106 | 17.9% | 110 | 22.1% | -5 | -4% |
| Morocco | 137 | 44.3% | 143 | 44.0% | -6 | -4% |
| Bulgaria | 12 | 20.8% | 9 | 15.9% | 2 | 25% |
| Kuwait | 3 | 4.6% | 5 | 8.7% | -2 | -46% |
| Others | 0 | 3.2% | 0 | 10.3% | 0 | -35% |
| **Emerging Europe, North Africa and Middle East** | **257** | **25.2%** | **268** | **28.4%** | **-11** | **-4%** |
| Thailand | 64 | 23.6% | 52 | 19.1% | 13 | 24% |
| India | 18 | 8.0% | 27 | 11.9% | -9 | -32% |
| Kazakhstan | 3 | 7.9% | 0 | 0.5% | 3 | n.s. |
| **Asia** | **85** | **15.9%** | **79** | **14.4%** | **7** | **9%** |
| Trading Cement & Clinker | 10 | 5.1% | 8 | 4.8% | 2 | 28% |
| Others and Eliminations | -7 | n.s. | -23 | n.s. | 16 | n.s. |
| **Total** | **649** | **15.6%** | **629** | **14.9%** | **20** | **3%** |

# Appendix 3

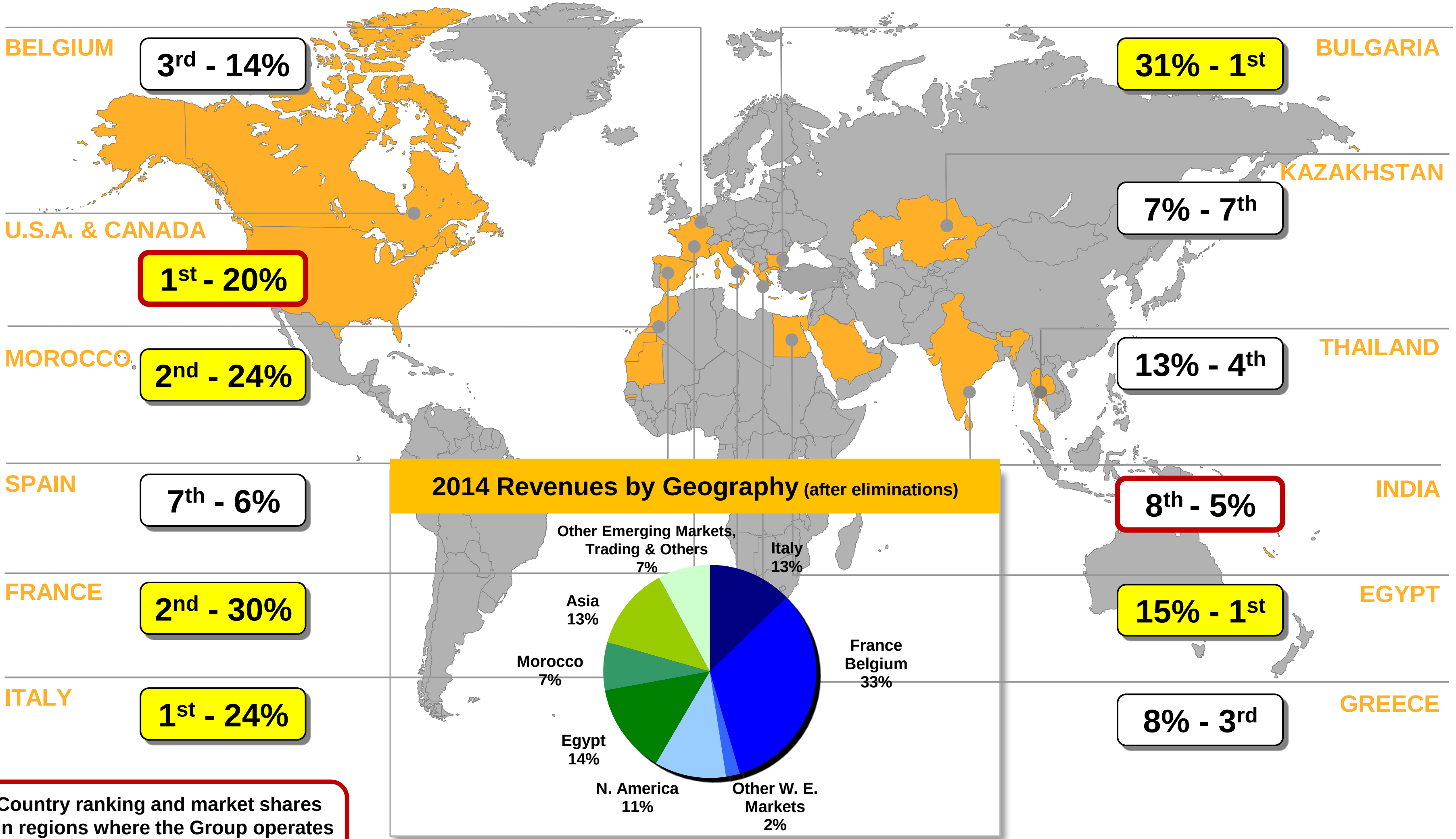
## Group Overview

# The Group at the end of 2014




(*) Based on clinker production capacity ; excludes ~5mt/y capacity through companies consolidated at equity method

# Country rankings and market shares




Country ranking and market shares in regions where the Group operates (Italcementi estimates)

Source: Italcementi estimates based on brokers' reports

# Emerging market strategy: historical milestones

2.7mt/y in Bulgaria | 6.5mt/y in Thailand | 8.5mt/y in Egypt | 5mt/y in Egypt | 2mt/y in China | 1.1mt/y in Morocco

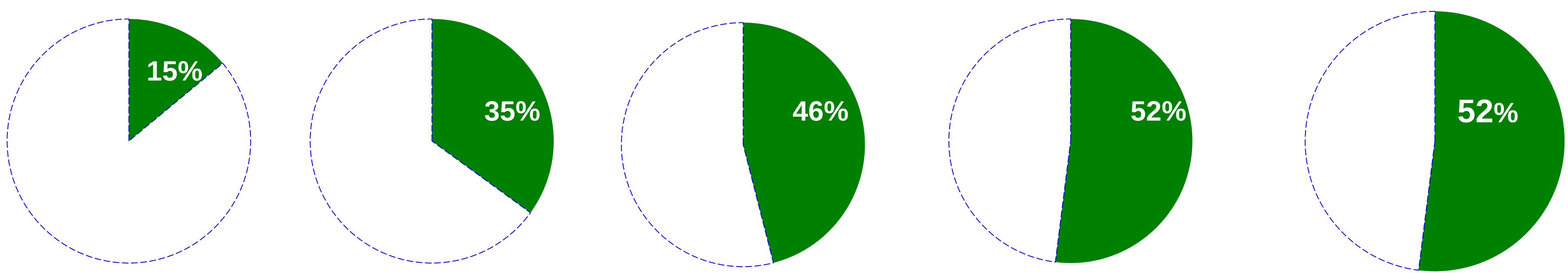
## Main Organic and Non-Organic Developments

1998-1999 | 2001-2002 | 2005 | 2007 | 2010 | 2011-2012

2.0mt/y in Kazakhstan | 1.3mt/y in Morocco | 3.0mt/y in India | 2.3mt/y in India | 3.0mt/y in Turkey sold | 2mt/y in China sold (**)

## Capacity Breakdown Evolution

1996 | 2000 | 2004 | 2008 | 2014(*)




Mature countries | Emerging countries

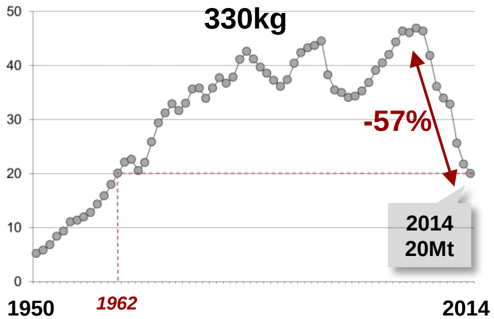
(*) Excludes ~5mt/y capacity through companies consolidated at equity method

(**) In June 2012, 2mt/y capacity in China (Fuping) was sold in exchange for a stake in West China Cement (disposal in 15Q3)

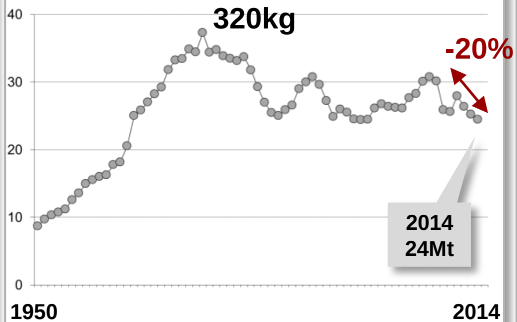
# Diverging market trends in Italcementi key countries

## Deep trough in some Mature Markets, ongoing growth in Emerging Markets though with some volatility

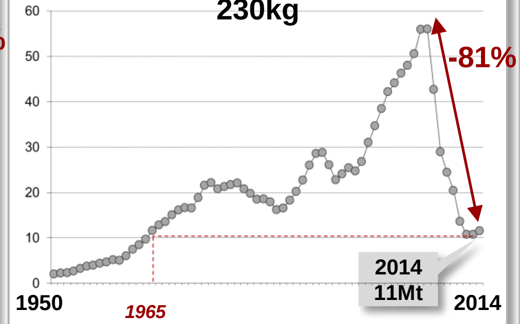
### Italy – mt
2014 Consumption per Capita:
**330kg**



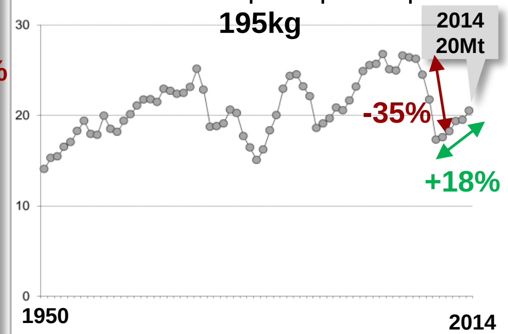

### France / Belgium - mt
2014 Consumption per Capita:
**320kg**




### Spain - mt
2014 Consumption per Capita:
**230kg**

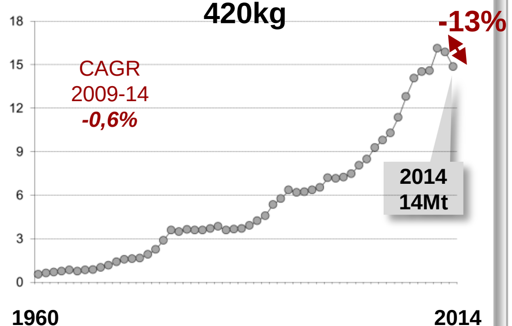



### N. America mt, Essroc area (*)
2014 Consumption per Capita:
**195kg**

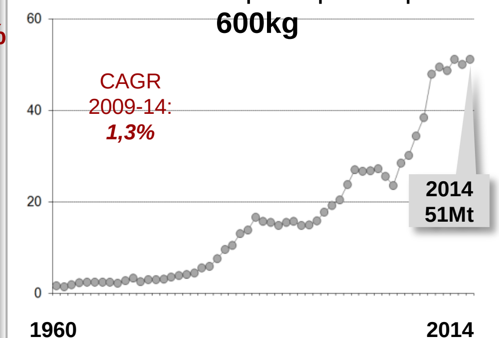



(*) Only Portland cement, Puerto Rico excluded.
New market area adopted

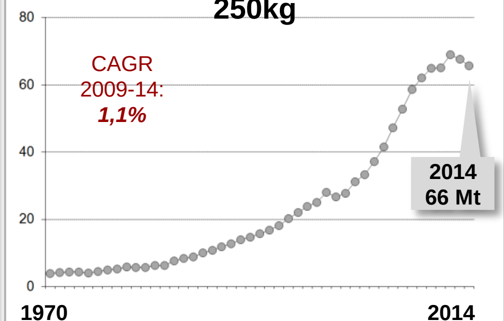
### Morocco – mt
2014 Consumption per Capita:
**420kg**



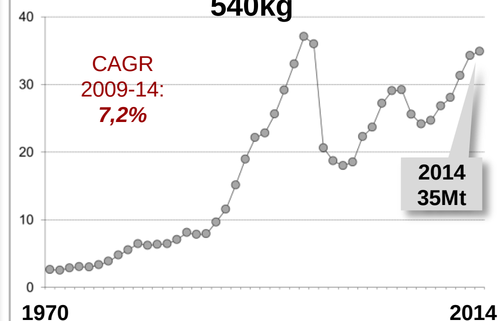

### Egypt - mt
2014 Consumption per Capita:
**600kg**




### South India - mt
2014 Consumption per Capita:
**250kg**

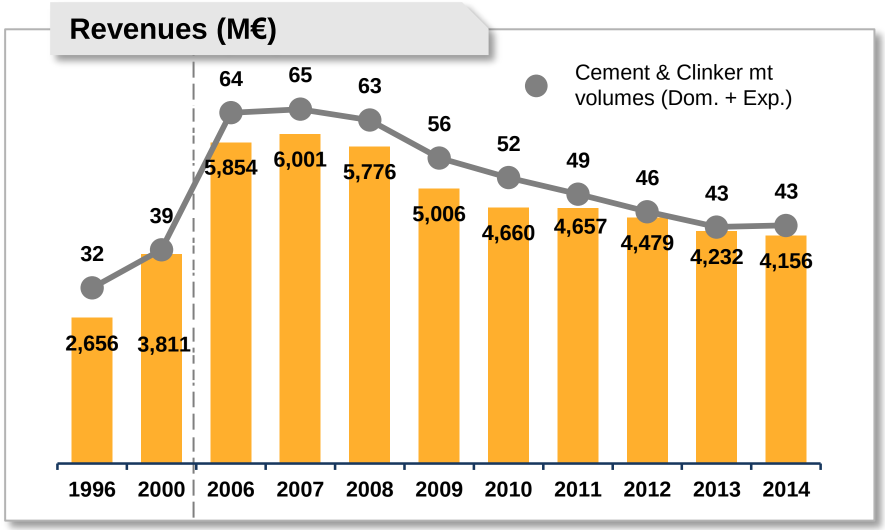


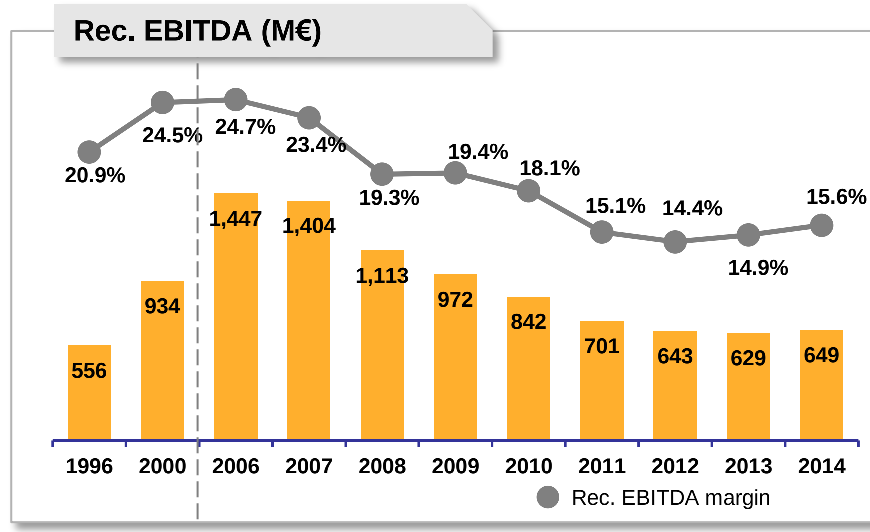

### Thailand - mt
2014 Consumption per Capita:
**540kg**

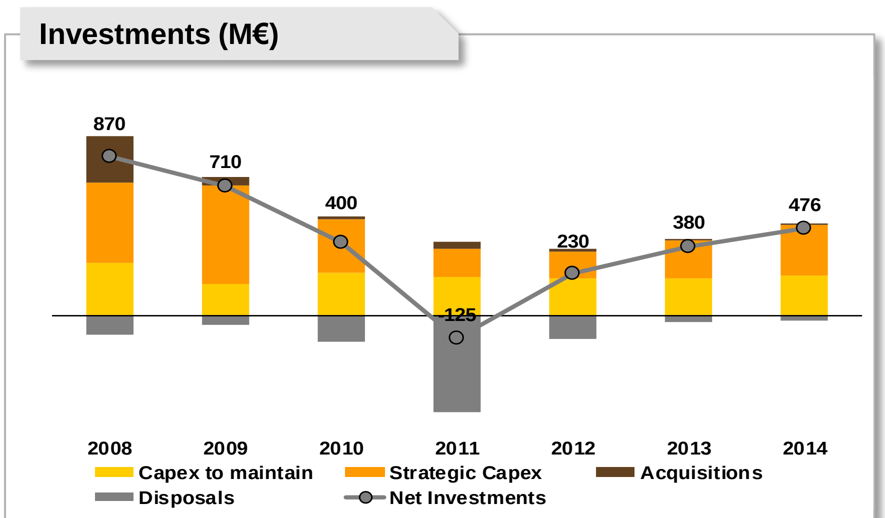


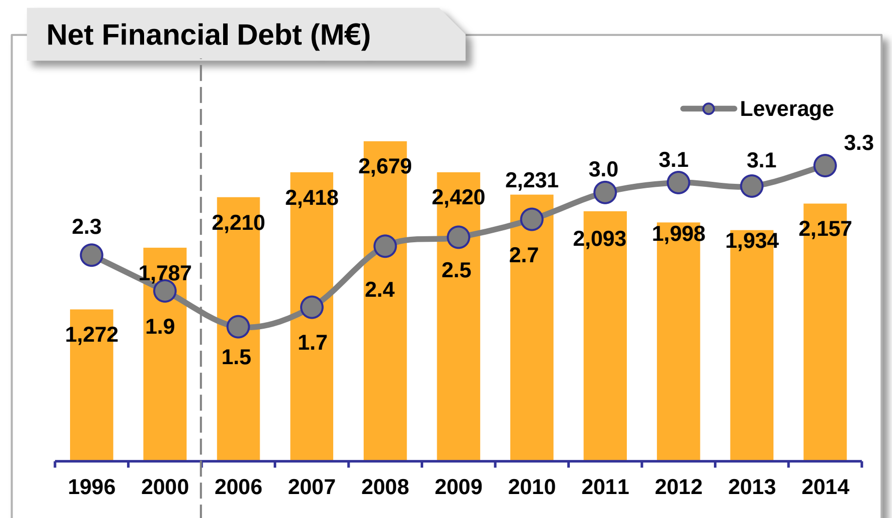

ITC estimates

# Key Historical Financials through long-term cycle



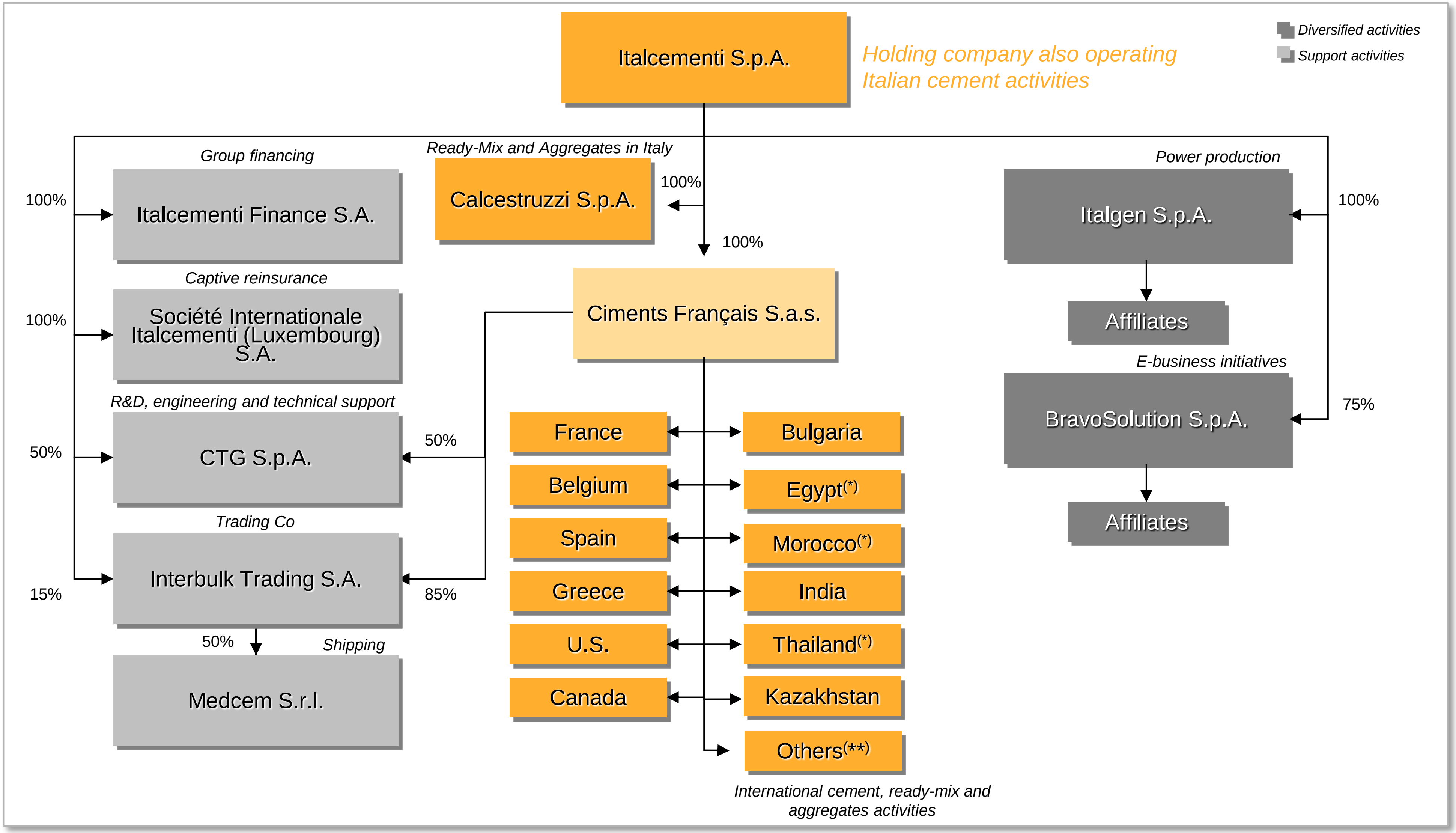




Local GAAP before 2001. 2014 figures prepared in compliance with IFRS and 2013 figures restated accordingly

# Group Structure




All figures as of 31st December 2014
(*) Controlling presence with significant minority interests
(**) Italcementi is also present in Kuwait (terminals and Ready-Mix) and Mauritania (grinding centre and Ready-Mix); Albania, Gambia, Sri Lanka (terminals); Saudi Arabia (Ready-Mix); Syria and Cyprus (minority stakes)

# Accounting policies

Consolidated Financial Statements have been drawn up in compliance with IFRS as applicable at September 30, 2015 and endorsed by the E.U. Commission. There are no significant changes in the consolidation perimeter in 9M 2015 vs. 2014.

**Changes in IFRS**

- With regard to application of IAS 16 “Property, plant and equipment”, the Group has reviewed its industrial assets and revised their useful lives. The revision has determined lower Depreciation for 10.2M€ in the 9M
- Accounting for CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) in France has been reviewed. CVAE is now reported consistently with similar tax items in other jurisdictions, as “Income Tax Expense” instead of “Other taxes”. The impact on Rec. EBITDA is +5.4M€ in the 9M 2014, offset by higher “Income Tax Expense”

**Changes in Operating segments**

- With full effect since January 1, 2015, operations in Bulgaria have been reclassified to CWE from EENAME in the operating segment disclosure. After this change, the new definitions of the areas are Europe and North Africa and Middle East. 2014 data are restated accordingly

# Disclaimer

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The Manager in Charge of preparing Italcementi S.p.A financial reports, Carlo Bianchini, hereby certifies pursuant to paragraph 2 of art. 154-bis of the Consolidated Law on Finance (Testo Unico della Finanza), that the accounting disclosures of this document are consistent with the accounting documents, ledgers and entries.

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