INTERIM FINANCIAL REPORT

31 MARCH 2017

cementir holding

CALTAGIRONE GROUP

Company officers

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

[1]The Director only fulfils the independence requirements set out in Article 148, Paragraph 3 of Italian Legislative Decree No. 58 of 24 February 1998 (as amended).
[2]Lead Independent Director.

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Interim Financial Report at 31 March 2017

Introduction

The interim financial report of the Cementir Holding Group has been prepared in accordance with the international accounting standards (IAS/IFRS) endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002. It has been drawn up in accordance with Article 2.2.3., paragraph 3, of the Regulations of the Markets organised and operated by Borsa Italiana S.p.A. applicable to issuers traded on the STAR segment, taking into account Borsa Italiana Notice no. 7587 of 21 April 2016.

The scope of consolidation at 31 March 2017 has not undergone any changes compared to the consolidated financial statements for the year ended 31 December 2016. However, it is noted that the income statement for the first quarter of 2017 benefits from the acquisitions completed in the second half of 2016. Therefore, the phrase “on like-for-like basis” means that the figures have been calculated by eliminating the following from the consolidated figures for the first quarter of 2017:

- the contribution of the Compagnie des Ciments Belges S.A. group (CCB), acquired on 25 October 2016;
- the contribution of the business division of Sacci SpA, acquired on 29 July 2016.

The Group’s business is, by its nature, subject to seasonal effects, with performance in the first three months influenced by the weather and plant maintenance works. It follows that first quarter (interim) results cannot be considered representative of performance in the entire year.

Finally, it is noted that this interim financial report is not subject to audit.

Group performance in the first quarter of 2017

The consolidated income for the first three months of 2017 is reported below, compared with the figure for the same period of 2016, including on a like-for-like basis.

Earnings

(EUR '000)	1st Quarter 2017	1st Quarter 2016	Change %	Like-for-like basis 1st Quarter 2017	Like-for-like basis Change %
REVENUE FROM SALES AND SERVICES	**279,864**	**210,445**	**33.0%**	**211,589**	**0.5%**
Change in inventories	5,778	5,048	14.5%	7,440	47.4%
Other revenue [1]	6,694	3,427	95.3%	3,997	16.6%
TOTAL OPERATING REVENUE	**292,336**	**218,920**	**33.5%**	**223,026**	**1.9%**
Raw materials costs	(123,824)	(97,175)	27.4%	(99,856)	2.8%
Personnel costs	(52,040)	(38,846)	34.0%	(40,259)	3.6%
Other operating costs	(93,448)	(61,551)	51.8%	(62,786)	2.0%
TOTAL OPERATING COSTS	**(269,312)**	**(197,572)**	**36.3%**	**(202,901)**	**2.7%**
EBITDA	**23,024**	**21,348**	**7.9%**	**20,125**	**-5.7%**
EBITDA Margin %	*8.23%*	*10.14%*		*9.51%*	
Amortisation, depreciation, impairment losses and provisions	(23,976)	(20,181)	18.8%	(18,228)	-9.7%
EBIT	**(952)**	**1,167**	**-181.6%**	**1,897**	**62.6%**
EBIT Margin %	*-0.34%*	*0.55%*		*0.90%*	
NET FINANCIAL INCOME (EXPENSE)	**(5,228)**	**(7,181)**	**-27.2%**		
PROFIT (LOSS) BEFORE TAXES	**(6,180)**	**(6,014)**	**2.8%**		
PROFIT (LOSS) BEFORE TAXES / REVENUES %	*-2.21%*	*-2.86%*			

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

Sales volumes

('000)	1st Quarter 2017	1st Quarter 2016	Change %	Like-for-like basis 1st Quarter 2017	Like-for-like basis Change %
Grey and white cement (metric tons)	2,515	2,014	24.9%	1,891	-6.1%
Ready mixed concrete (m^3)	1,088	911	19.4%	887	-2.6%
Aggregates (metric tons)	2,006	698	187.3%	845	21.0%

Group employees

	31-03-2017	31-12-2016	31-03-2016	Like-for-like basis 31-03-2017
Number of employees	3,631	3,667	2,992	2,877

Revenue from sales and services for the first quarter 2017 amounted to EUR 279.9 million (EUR 210.4 million in the first quarter 2016); EBITDA totalled EUR 23.0 million (EUR 21.3 million in the first quarter of 2016); EBIT totalled EUR -1.0 million (EUR 1.2 million in the first quarter 2016); and profit/loss before taxes amounted to EUR -6.2 million (EUR -6.0 million in the first quarter of 2016).

Revenue from sales and services in the first quarter of 2017 was up 33% compared to 2016 due to the change in the scope of consolidation, which resulted in an increase in revenue of about EUR 68.3 million, of which EUR 14.9 million relative to Cementir Sacci and EUR 53.4 million relative to the Compagnie des Ciments Belges group.

On a like-for-like basis, revenue was essentially stable on the first quarter of 2016, despite the negative impact of exchange-rate movements. The positive trend of revenue in Norway, Denmark, Sweden, China and Italy offset the fall recorded in Turkey and the reduction in revenue expressed in euros in Egypt, while revenue in Malaysia was essentially stable.

The impact on revenue of the depreciation of the major foreign currencies compared to the euro was negative at EUR 16.9 million. At constant exchange rates, revenue would have amounted to EUR 296.7 million, an increase of 41% on the first quarter of the previous year.

Operating costs, amounting to EUR 269.3 million, were up by EUR 71.7 million on the first quarter of 2016, deriving mainly from the change in the scope of consolidation (EUR 66.4 million).

The **cost of raw materials** was EUR 123.8 million (EUR 97.2 million in the first quarter of 2016), up due to the change in the scope of consolidation (EUR 24 million). On like-for-like basis, the figure saw a slight increase (+2.8%) despite a positive exchange rate impact of EUR 10.2 million, due to higher costs for the purchase of fuel in Denmark, Turkey and China.

Personnel costs were EUR 52.0 million, up by EUR 13.2 million mainly because of the change in the scope of consolidation (EUR 11.8 million). On like-for-like basis the increase in costs was 3.6% despite positive exchange rate effects of EUR 1.6 million, mainly deriving from inflation connected to the cost of labour in high-inflation countries.

Other operating costs were EUR 93.4 million, up by EUR 31.9 million compared to the same period of 2016 mainly because of the change in the scope of consolidation (EUR 30.7 million), benefitting from EUR 3.2 million of positive exchange rate effect.

EBITDA was EUR 23.0 million, up 7.9% on EUR 21.3 million in the same period of 2016. The acquisitions had an impact of EUR 2.9 million on EBITDA: the EBITDA of the Belgian group CCB was EUR 5.0 million, while Cementir Sacci posted negative EBITDA of EUR 2.1 million. However, on a like-for-like basis, EBITDA was down 5.7% as a result of lower earnings in Turkey and the depreciation of foreign currencies against the Euro – mainly the Egyptian pound and the Turkish lira – partially offset by growth in Egypt, China and Norway. The impact on EBITDA of the depreciation of the major foreign currencies compared to the euro was negative EUR 5.0 million, so at constant exchange rates EBITDA would have been EUR 28.1 million, up EUR 6.7 million on the previous year.

EBIT, after depreciation, amortisation, impairment losses and provisions of EUR 24.0 million, was negative EUR 1.0 million (EUR 1.2 million in the first quarter of 2016).

Net financial expense was EUR 5.2 million (EUR 7.2 million in the first quarter of 2016). Compared to the first quarter of 2016, the Group's financial expense benefitted from the increased mark-to-market value of financial instruments held to hedge interest rates and commodities. This benefit was only partly mitigated by higher financial expense relating to the loan agreed in October 2016 and changes in exchange rates.

The share of net profits of equity-accounted investees was essentially unchanged.

Profit (loss) before taxes posted a loss of EUR 6.2 million (EUR 6.0 million in the first quarter 2016).

Financial highlights

(EUR '000)	31-03-2017	31-12-2016	31-03-2016
Net capital employed	1.678.172*	1,622,741	1.370.763*
Total equity	1.031.740*	1,060,303	1.098.870*
Net financial debt[2]	646,422	562,438	271,893

* Equity at 31 March 2017 and 2016 does not include the calculation of the taxes on earnings for the period.

Net financial debt at 31 March 2017 totalled EUR 646.4 million, an increase of EUR 84 million compared with 31 December 2016, mainly attributable to changes in net working capital and to the annual maintenance of plants, which is normally performed in the first part of the year.

Total equity at 31 March 2017 amounted to EUR 1,031.7 million (EUR 1,060.3 million at 31 December 2016), not including taxes on earnings for the period.

[2] Net financial debt is measured in accordance with CONSOB Communication DEM/6064293 of 28 July 2006.

Performance by geographical segment

Nordic & Baltic and USA

(EUR '000)	1st Quarter 2017	1st Quarter 2016	Change %
Revenue from sales	185,843	113,267	64.1%
EBITDA	19,656	15,178	29.5%
EBITDA Margin %	10.6%	13.4%	
Investments	23.8	6.1	290.2%

In the Nordic & Baltic and United States, the Group achieved **revenue from sales** of EUR 185.8 million, up by around EUR 72.6 million (+64%) compared to the first quarter of the previous year, due both to the consolidation of the Belgian business in the first three months of the year (EUR 53.4 million) and higher sales volumes of cement, ready mixed concrete and (to a lesser extent) aggregates.

In **Denmark**, revenue from sales increased by EUR 6.6 million (+9.3%) compared to the first quarter of 2016 as a result of a significant increase in sales volumes of grey and white cement on the domestic market (+16% and +4%, respectively, compared to 2016) with average sales prices essentially stable on grey cement and slightly up on white cement. Sales volumes of ready mixed concrete were also up (+12%) with stable prices, benefitting from the strong performance of the construction sector driven by favourable weather conditions, the late Easter holidays falling in April, and the start of civil works and major projects. Export sales volumes of white cement fell by 9%, however, due to a change in the schedule of deliveries to the United States, while exports of grey cement are in line with the first quarter of 2016.

In **Norway**, there was an increase in revenue in local currency of 27.1% thanks to a particularly mild winter and the significant recovery in construction activity in all regions where the company operates except the south, with ready mixed concrete sales volumes up 26% compared to the first quarter of 2016. The value of the Norwegian krone increased by around 5.6% compared to the average exchange rate in the same period of the previous year, increasing the contribution of this revenue to the consolidated financial statements translated into euros.

Also in **Sweden**, sales volumes in local currency increased 38.7%. This was due to the increase in sales volumes of ready mixed concrete (+31%), driven in particular by the performance of the residential sector in the Malmö and Helsingborg areas in the south of Sweden, where the Group's subsidiaries have a greater presence, plus higher sales volumes of aggregates (+25%) underpinned by a major road-building project awarded in late 2016. The construction market in Sweden is expected to expand about 1% compared to 2016.

In **Belgium**, the CCB group recorded revenue of EUR 53.4 million and EBITDA of EUR 5 million. Sales volumes of cement, ready mixed concrete and aggregates performed well, exceeding expectations.

In the **United Kingdom**, waste management revenue increased by around 1.8% compared to the first quarter of 2016 as a result of higher volumes of processed waste at the subsidiary Quercia and was also affected by the depreciation of the British pound after the Brexit vote (-11.6% compared to the average exchange rate in 2016).

In the **United States**, the Group's subsidiaries reported a moderate increase in revenue from sales of concrete products and an increase in production costs, due to an operating problem at the terminal in Tampa (Florida), which was resolved in mid February.

EBITDA in the Nordic & Baltic and United States area was EUR 19.7 million, up 29.5% on EUR 15.2 million in the first quarter of 2016. The increase is mainly attributable (EUR 5 million) to the consolidation of CCB in Belgium and the improved results in the ready mixed concrete sector in Denmark, Norway and Sweden. However there were decreases in EBITDA in Denmark in the cement sector due to higher fixed costs connected to the timing of maintenance and to plant employees, in the United States for the reasons described above, and to a lesser extent in the United Kingdom in the waste management sector.

Eastern Mediterranean

(EUR '000)	1st Quarter 2017	1st Quarter 2016	Change %
Revenue from sales	42,729	61,546	-30.6%
EBITDA	4,734	7,317	-35.3%
EBITDA Margin %	11.1%	11.9%	
Investments	1.2	2.7	-55.5%

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.

In this area the Group recorded **revenue from sales** of EUR 42.7 million (EUR 61.5 million in the first quarter of 2016) and EBITDA of EUR 4.7 million (EUR 7.3 million in the first quarter of 2016).

In **Turkey**, the uncertainty of the domestic political situation has caused an economic slowdown, aggravated by adverse weather conditions. Against this background, revenue fell to EUR 32.4 million compared to EUR 47.9 million in the first quarter of 2016, partly due to the depreciation of the Turkish lira against the euro (-21.3% compared to the average exchange rate in the first quarter of 2016).

Revenue in local currency fell 18.4% due to the reduction in sales volumes of cement and ready mixed concrete (-16% and -25% respectively) and the fall in cement sales prices on the domestic market. Export volumes also decreased (-34%) mainly due to the deferral of a number of deliveries. However, ready mixed concrete prices saw a modest increase in local currency.

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 the first quarter of 2016 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.

The Hereko division, which processes Istanbul's solid urban waste, saw a decrease in volumes processed compared to the first quarter of 2016, in line with forecasts.

In **Egypt**, the Group earned revenue from sales of EUR 10.3 million (EUR 13.6 million in the first quarter of 2016) – a 24% decrease caused by depreciation of the Egyptian pound against the euro as, in early November 2016, the Egyptian Central Bank decided to leave the Egyptian pound to float freely.

In fact, revenue in local currency increased 64% despite lower sales volumes of white cement on the domestic market (-2%) due to the increase in average sales prices in local currency (+12%) and the increase in export volumes (+16%), with average sales prices in dollars falling (-6.5%).

EBITDA in the **Eastern Mediterranean** area totalled EUR 4.7 million, down on EUR 7.3 million in the first quarter of 2016.

In **Turkey**, EBITDA was EUR 0.3 million (EUR 4.8 million in the first quarter of 2016). The decrease is attributable mainly to the effect deriving from the depreciation of the Turkish lira and the above-mentioned fall in cement sales volumes and prices, partially offset by a reduction in electricity and raw materials prices, and a fall in fixed costs (employees, maintenance and general expenditure) where management concentrated its efforts to recover profitability.

In **Egypt**, on the other hand, EBITDA was EUR 4.4 million (EUR 2.5 million in the first quarter 2016), up thanks mainly to the reduction in the cost of fuel deriving from the introduction to the production process of petroleum coke instead of fuel oil, as well as the reduction in other variable and fixed costs due to the depreciation of the local currency.

Asia Pacific

(EUR '000)	1st Quarter 2017	1st Quarter 2016	Change %
Revenue from sales	18,189	18,341	-0.8%
EBITDA	3,615	3,951	-8.5%
EBITDA Margin %	19.9%	21.5%	
Investments	0.3	0.2	50.0%

In the first quarter 2017 the Group earned **revenue from sales** of EUR 18.2 million, in line with EUR 18.3 million in the first quarter of 2016.

EBITDA in the area totalled EUR 3.6 million, down 8.5% on EUR 3.9 million in the first quarter of 2016.

In **China** the Group recorded revenue from sales of EUR 9.2 million (EUR 7.4 million in the first quarter of 2016) and EBITDA of EUR 1.7 million (EUR 0.9 million in the first quarter of 2016).

In local currency, revenue from sales increased 26% compared to the first quarter of the previous year thanks to the significant increase in the volumes of white cement and clinker sold on the domestic market (+25%), while exports – which were not significant in the quarter – fell 28% with slightly falling prices.

Operating costs in local currency increased 29% compared to the first quarter of 2016 due to higher production of clinker and cement and higher costs incurred for the supply of raw materials and fuel, with the latter affected by increased purchase prices on the international market compared to early 2016.

EBITDA benefitted from higher sales volumes and rising prices on the domestic market, plus the reduction of general expenditure.

In **Malaysia** the Group recorded revenue from sales of EUR 9.1 million (EUR 11 million in the first quarter of 2016) and EBITDA of EUR 2.0 million (EUR 3.1 million in the first quarter of 2016).

Revenue in local currency decreased 10.2% compared to the first quarter of the previous year due to the decrease in sales volumes of cement on the domestic market (-5%), despite slightly higher average prices in local currency. Exports fell overall by around 30% mainly due to the deferral of a major clinker delivery to Australia, caused above all by a number of operational problems at the plant that resulted in lower availability of finished product.

Operating costs fell compared to the first quarter of 2016, above all due to the lower production of cement and clinker, for the reasons outlined above.

EBITDA fell EUR 1.1 million compared to the first quarter of the previous year (-36.2%) due to lower sales volumes.

Central Mediterranean

(EUR '000)	1st Quarter 2017	1st Quarter 2016	Change %
Revenue from sales	37,435	19,897	88.1%
EBITDA	(4,981)	(5,098)	2.3%
EBITDA Margin %	-13.3%	-25.6%	
Investments	2.7	0.4	n.a.

In the Central Mediterranean (Italy) area, the Group manufactures and sells cement and ready mixed concrete. In the first quarter of 2017 the group recorded EUR 37.4 million in revenue from sales (EUR 19.9 million in 2016) and negative EBITDA of EUR 5 million (negative EUR 5.1 million in the first quarter of 2016). The corresponding three months of the previous year did not include the subsidiary Cementir Sacci SpA, acquired in mid 2016.

Revenue from sales include EUR 14.9 million in revenue from Cementir Sacci. On a like-for-like basis revenue from sales would in any case have been up by 13.2% thanks to the 2% increase in cement and clinker sales volumes - driven in particular by the excellent performance of the Spoleto plant – together with rising average sales prices. However the ready mixed concrete sector performed poorly, with a decrease in both volumes and prices.

The **EBITDA** figure includes the EUR 2.1 million negative EBITDA of Cementir Sacci. On like-for-like basis, EBITDA benefitted from the favourable trend in sales volumes and prices in the cement sector, as well as lower costs relating to plant maintenance, other fixed costs of production, and the cost of production and administrative staff.

Directors' report

Significant events during the quarter

The results of the first quarter of 2017 – which are an improvement on the previous year and in line with management expectations – highlight the good performance of operations in Scandinavian countries, China and Egypt, offsetting the trend in Turkey and the temporary deferral of volumes in Malaysia.

Significant events after the close of the quarter

On 28 April 2017, Cementir Holding completed the **refinancing** of a *bridge* loan worth a total of EUR 330 million, as part of the loan agreement signed in October 2016 with a pool of banks. This line of credit was made available by a pool of banks to fund the acquisitions of CCB and the business division of Sacci, to refinance existing credit facilities, and to meet working capital requirements.

The term of the bridge loan, initially set for April 2018, has been extended with the same pool of banks to October 2021, with bullet repayment. The conditions of the loan have been aligned with those of the term loan under the same agreement.

Business outlook

The results of the first quarter of 2017 were in line, overall, with management expectations – with the exception of Turkey, where there was a substantial decline – thanks to the strong performance of business activity in the Nordic & Baltic area and in Egypt and the achievement of targets in Egypt and Italy.

Work continues on consolidating and integrating the recently acquired assets and organisations.

Despite the persistent uncertainty connected to foreign currencies – especially the Turkish lira and the Egyptian pound – and the geopolitical events that continue to affect Turkey and Egypt, the Group believes it can confirm its earnings and financial targets for the year 2017: EBITDA of around EUR 215 million and a net financial debt of about EUR 530 million at the end of 2017, having incurred capital expenditures of around EUR 92 million.

Rome, 11 May 2017
Chairman of the Board of Directors
signed: Francesco Caltagirone Jr.

* * *

Massimo Sala, as the Manager responsible for financial reporting, certifies, pursuant to Article 154-bis (2) of the Consolidated Law on Financial Intermediation, that the accounting information contained in this report corresponds with that contained in company documents, books and accounting records.