# INTERIM FINANCIAL REPORT
# 30 SEPTEMBER 2017

cementirholding
CALTAGIRONE GROUP

## Company officers

| | | |
|---|---|---|
| **Board of Directors**<br>for the period 2015-2017 | *Chairman* | Francesco Caltagirone Jr. |
| | *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**<br>for the period 2017-2019 | *Chairman* | Silvia Muzi |
| | *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**<br>for the period 2012–2020 | | KPMG S.p.A. |

[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 30 September 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 as at 30 September 2017 has not undergone any changes compared to the consolidated financial statements as at 31 December 2016. However, it is noted that the income statement at 30 September 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 period:

- 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.

Cementir Holding SpA has signed an agreement with Italcementi SpA, a wholly-owned subsidiary of HeidelbergCement AG, for the sale of 100% of the share capital of Cementir Italia SpA, including its wholly-owned subsidiaries Cementir Sacci SpA and Betontir SpA (Cementir Italia group). The transaction is subject to authorisation from the Italian Antitrust Authority and closing is expected early next year. As at the date of this interim report, the conditions set out in IFRS 5 have not been met.

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

## Group performance in the first nine months of 2017

The consolidated income for the first nine 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) | Jan-Sept 2017 | Jan-Sept 2016 [2] | Change % | Like-for-like basis Jan-Sept 2017 | Like-for-like basis Jan-Sept 2016 | Like-for-like basis Change % |
|---|---|---|---|---|---|---|
| **REVENUE FROM SALES AND SERVICES** | **963,771** | **732,644** | **31.6%** | **728,954** | **724,475** | **0.6%** |
| Change in inventories | (2,150) | (4,725) | 54.5% | 807 | (5,365) | 115.0% |
| Other revenue [1] | 21,564 | 11,024 | 95.6% | 17,013 | 10,719 | 58.7% |
| **TOTAL OPERATING REVENUE** | **983,185** | **738,943** | **33.1%** | **746,774** | **729,829** | **2.3%** |
| Raw materials costs | (393,541) | (310,955) | 26.6% | (315,067) | (305,722) | 3.1% |
| Personnel costs | (155,178) | (117,761) | 31.8% | (118,942) | (114,771) | 3.6% |
| Other operating costs | (282,390) | (191,689) | 47.3% | (191,159) | (188,480) | 1.4% |
| **TOTAL OPERATING COSTS** | **(831,109)** | **(620,405)** | **34.0%** | **(625,168)** | **(608,973)** | **2.7%** |
| **EBITDA** | **152,076** | **118,538** | **28.3%** | **121,606** | **120,856** | **0.6%** |
| *EBITDA Margin %* | *15.78%* | *16.18%* | | *16.68%* | 16.68% | |
| Amortisation, depreciation, impairment losses and provisions | **(73,748)** | **(60,118)** | **22.7%** | **(55,135)** | **(59,804)** | **-7.8%** |
| **EBIT** | **78,328** | **58,420** | **34.1%** | **66,471** | **61,052** | **8.9%** |
| *EBIT Margin %* | *8.13%* | *7.97%* | | *9.12%* | 8.43% | |
| Share of net profits of equity-accounted investees | 3,428 | 3,762 | -8.9% | - | - | - |
| Net financial income (expense) | (14,851) | (14,437) | -2.9% | - | - | - |
| **NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEES** | **(11,423)** | **(10,675)** | **-7.0%** | **-** | **-** | **-** |
| **PROFIT (LOSS) BEFORE TAXES** | **66,905** | **47,745** | **40.1%** | **-** | **-** | **-** |
| *PROFIT (LOSS) BEFORE TAXES / REVENUES %* | *6.94%* | *6.52%* | | - | - | - |

### Sales volumes

| ('000) | Jan-Sept 2017 | Jan-Sept 2016 [2] | Change % | Like-for-like basis Jan-Sept 2017 | Like-for-like basis Jan-Sept 2016 | Like-for-like basis Change % |
|---|---|---|---|---|---|---|
| Grey and white cement (metric tons) | 9,551 | 7,275 | 31.3% | 7,256 | 7,136 | 1.7% |
| Ready-mixed concrete ($m^3$) | 3,666 | 3,164 | 15.9% | 2,915 | 3,156 | -7.6% |
| Aggregates (metric tons) | 6,899 | 2,587 | 166.7% | 2,965 | 2,587 | 14.6% |

[1] "Other revenue" includes the income statement captions "Increase for internal work" and "Other operating revenue".
[2] Includes Cementir Sacci from 29 July 2016.

### Group employees

| | 30-09-2017 | 31-12-2016 | 30-09-2016 | Like-for-like basis 30-09-2017 |
|---|---|---|---|---|
| Number of employees | 3,614 | 3,667 | 3,358 | 2,894 |

Sales **volumes** of cement and clinker increased 31.3% in the first nine months of 2017, reaching 9.6 million tons. On a like-for-like basis, they were up 1.7%, thanks to the favourable performance of Denmark, Egypt, Malaysia and China, and the slight growth in Turkey, while Italy recorded a downturn in sales volumes.
Sales volumes of ready-mixed concrete, equal to 3.7 million cubic metres, were up 15.9%; on a like-for-like basis they were pulled down by the fall in sales in Turkey, which was only partially offset by strong performance in Denmark, Norway and Sweden.
In the aggregates segment, sales volumes amounted to 6.9 million tons, up by over 166% thanks to the contribution of the Belgian business (CCB). On a like-for-like basis there were in any case improvements in Denmark and Sweden.
Group **revenue from sales and services** amounted to EUR 963.8 million up 31.6% compared to EUR 732.6 million in the first nine months of 2016 due to the change in the scope of consolidation, which resulted in an increase in revenue of about EUR 234.8 million, of which EUR 51.5 million relative to Cementir Sacci and EUR 183.3 million to the CCB group.
On a like-for-like basis, revenue was essentially stable compared to the first nine months of 2016, despite the negative impact of exchange rates. The positive trend of revenue in Norway, Denmark, Sweden, China and Italy offset the drop in Turkey and the fall in revenues expressed in euros in Egypt, while revenue performance in Malaysia was almost stable.
It should be noted that the impact on revenue of the depreciation of the major foreign currencies compared to the euro was negative at EUR 63 million. At constant 2016 exchange rates, revenue would have amounted to EUR 1,026.8 million, 40% higher than the first nine months of the previous year.
**Operating costs**, amounting to EUR 831.1 million, were up by EUR 210.7 million compared to the first nine months of 2016, deriving mainly from the change in the scope of consolidation (EUR 205.9 million) and net positive exchange rate effects of EUR 48.1 million.
**Raw materials costs** were EUR 393.5 million (EUR 311.0 million in the first nine months of 2016) up due to the change in the scope of consolidation (EUR 78.5 million). On a like-for-like basis, the figure saw a slight increase (+ 3.1%) despite the positive exchange rate effect of EUR 31.4 million mainly due to the generalised increase in the cost of fuel.
**Personnel costs** were EUR 155.2 million, up by EUR 37.4 million mainly because of the change in the scope of consolidation (EUR 36.2 million). On a like-for-like basis the increase was 3.6%; despite savings of EUR 5.1 million due to positive exchange rate effects, the increase in costs mainly derives from inflation connected to the cost of labour, the increase in production personnel costs to meet higher demand in the

Scandinavian countries and, furthermore, EUR 3.3 million in extraordinary costs were incurred for early contract terminations.

**Other operating costs** were EUR 282.4 million, up by EUR 90.7 million compared to the same period of 2016 mainly because of the change in the scope of consolidation (EUR 91.2 million), benefitting from the positive exchange rate effect of EUR 11.7 million.

**EBITDA** was EUR 152.1 million, up 28.3% on EUR 118.5 million in the same period of 2016. The acquisitions had a beneficial impact of EUR 30.5 million on EBITDA: the EBITDA of the Belgian group CCB was EUR 33.2 million, while Cementir Sacci posted negative EBITDA of EUR 2.7 million. On like-for-like basis, EBITDA remained essentially stable (+0.6%): the improvement in Egypt, Italy, China, United Kingdom, Norway and Sweden has partially offset the lower earnings in Turkey and, to a lesser extent, in Denmark and Malaysia, as well as the depreciation of foreign currencies against the Euro, mainly the Egyptian pound and the Turkish lira.

The impact on EBITDA of the depreciation of the major foreign currencies compared to the euro was negative EUR 15.3 million, so at constant exchange rates with last year EBITDA would have been EUR 167.4 million.

**EBIT**, taking into account amortisation, depreciation, impairment losses and provisions for EUR 73.7 million (EUR 60.1 million in the first nine months of 2016), amounted to EUR 78.3 million compared to EUR 58.4 million in the same period of the previous year.

The **share of net profits of equity-accounted investees** was EUR 3.4 million (EUR 3.8 million in the same period of 2016).

**Net financial expense** was EUR 14.9 million (expense of EUR 14.4 million in the first nine months of 2016) due to higher borrowing costs incurred as a result of the increased level of average debt to finance the acquisitions in July and October 2016 and the unfavourable foreign currency trend. These negative effects were partly offset by the increased mark-to-market value of financial instruments held to hedge interest-rate and commodity risk, and the returns on the cash held by the Group.

**Profit before taxes** totalled EUR 66.9 million compared to EUR 47.7 million for the first nine months of 2016.

**Group performance in the third quarter of 2017**

The consolidated income for the third quarter 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) | 3rd Quarter 2017 | 3rd Quarter 2016 [4] | Change % | Like-for-like basis | | |
|---|---|---|---|---|---|---|
| | | | | 3rd Quarter 2017 | 3rd Quarter 2016 | Change % |
| **REVENUE FROM SALES AND SERVICES** | **332,384** | **251,638** | **32.1%** | **255,038** | **243,469** | **4.8%** |
| Change in inventories | (3,227) | (1,551) | -108.1% | (4,839) | (2,191) | -120.1% |
| Other revenue [3] | 6,806 | 3,520 | 93.4% | 5,537 | 3,215 | 72.2% |
| **TOTAL OPERATING REVENUE** | **335,963** | **253,607** | **32.5%** | **255,736** | **244,493** | **4.6%** |
| Raw materials costs | (133,261) | (104,593) | 27.4% | (106,838) | (99,360) | 7.5% |
| Personnel costs | (47,585) | (39,374) | 20.9% | (35,126) | (36,384) | -3.5% |
| Other operating costs | (88,108) | (63,092) | 39.7% | (60,664) | (59,883) | 1.3% |
| **TOTAL OPERATING COSTS** | **(268,954)** | **(207,059)** | **29.9%** | **(202,628)** | **(195,627)** | **3.6%** |
| **EBITDA** | **67,009** | **46,548** | **44.0%** | **53,108** | **48,866** | **8.7%** |
| *EBITDA Margin %* | *20.16%* | *18.50%* | | *20.82%* | *20.07%* | |
| Amortisation, depreciation, impairment losses and provisions | **(24,499)** | **(19,948)** | **22.8%** | **(18,372)** | **(19,634)** | **-6.4%** |
| **EBIT** | **42,510** | **26,600** | **59.8%** | **34,736** | **29,232** | **18.8%** |
| *EBIT Margin %* | *12.79%* | *10.57%* | | *13.62%* | *12.01%* | |
| Share of net profits of equity-accounted investees | 1,203 | 1,624 | -25.9% | - | - | - |
| Net financial income (expense) | (1,419) | (2,082) | 31.8% | - | - | - |
| **NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEES** | **(216)** | **(458)** | 52.8% | - | - | - |
| **PROFIT (LOSS) BEFORE TAXES** | **42,294** | **26,142** | 61.8% | - | - | - |
| *PROFIT (LOSS) BEFORE TAXES / REVENUES %* | *12.72%* | *10.39%* | - | - | - | - |

## Sales volumes

| ('000) | 3rd Quarter 2017 | 3rd Quarter 2016 [4] | Change % | Like-for-like basis | | |
|---|---|---|---|---|---|---|
| | | | | 3rd Quarter 2017 | 3rd Quarter 2016 | Change % |
| Grey and white cement (metric tons) | 3,187 | 2,526 | 26.2% | 2,444 | 2,387 | 2.4% |
| Ready-mixed concrete ($m^3$) | 1,243 | 1,025 | 21.3% | 1,005 | 1,017 | -1.1% |
| Aggregates (metric tons) | 2,251 | 892 | 152.2% | 1,025 | 892 | 14.9% |

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

[4] Includes Cementir Sacci from 29 July 2016.

**Sales volumes** of cement and clinker increased 26.2% in the third quarter of 2017; on a like-for-like basis they posted growth of 2.4% thanks to the strong performance in Turkey and Malaysia and, to a lesser extent, in Egypt, while Denmark, China and Italy saw slight falls.

Sales volumes of ready-mixed concrete, equal to 1.2 million cubic metres, were up 21.3%; on a like-for-like basis they were pulled down by the fall in sales in Turkey.

In the aggregates sector, sales volumes rose by 152% thanks to the contribution of the Belgian business (CCB) and the good sales performance in Sweden and Denmark.

**Revenue from sales and services** totalled EUR 332.4 million, up 32.1% compared to EUR 251.6 million in the third quarter of 2016 as a result of the change in the scope of consolidation, which had an effect of EUR 77.3 million (of which EUR 17.6 million from Cementir Sacci and EUR 59.7 million from the CCB group). On a like-for-like basis, revenue increased 4.7% compared to the third quarter of 2016, despite the negative impact of exchange rates. The positive trend of revenue in Norway, Sweden, Malaysia and Italy offset the slight drop in Denmark and the fall in revenues expressed in euros in Egypt, while performance in Turkey and China was almost unchanged.

The impact on revenue of the depreciation of the major foreign currencies compared to the euro was negative at EUR 23.9 million. At constant 2016 exchange rates, revenue would have amounted to EUR 356.3 million, an increase of 41.6% on the third quarter of the previous year.

**Operating costs**, amounting to EUR 269.0 million, were up by EUR 61.9 million compared to the third quarter of 2016, deriving mainly from the change in the scope of consolidation (EUR 66.3 million).

**EBITDA** and **EBIT** amounted to EUR 67.0 million and EUR 42.5 million respectively, up by 44.0% and 59.8% compared to the third quarter of 2016. The negative impact of the change in exchange rates on EBITDA and on EBIT was respectively equal to EUR 4.5 million and EUR 2.9 million. At constant exchange rates, EBITDA would have been EUR 71.5 million and EBIT would have been EUR 45.4 million.

On a like-for-like basis, the decline in EBITDA affected Turkey, Denmark and Egypt, whereas there were improvements in Italy, the United Kingdom, China and Malaysia.

**Financial expense** was EUR 0.2 million (expense of EUR 0.5 million in the third quarter of 2016) and benefited from the increased mark-to-market value of financial instruments held to hedge interest-rate and commodity risk, and the returns on the cash held by the Group.

**Profit before taxes** came to EUR 42.3 million, up on the third quarter of 2016 (EUR 26.1 million).

## Financial highlights

| (EUR'000) | 30-09-2017 | 30-06-2017 | 31-12-2016 | 30-09-2016 |
|---|---|---|---|---|
| Net capital employed | 1,664,961* | 1,629,025 | 1,622,741 | 1,472,348* |
| Total Equity | 1,034,612* | 1,015,784 | 1,060,303 | 1,121,741* |
| Net financial debt[5] | 630,349 | 613,241 | 562,438 | 350,607 |

* Equity at 30 September 2017 and 2016 does not include the calculation of the taxes on earnings for the period.

**Net financial debt** at 30 September 2017 amounted to EUR 630.3 million, up by EUR 67.9 million compared to 31 December 2016. This change was mainly due to movements in net working capital, to investments worth EUR 65.1 million, to EUR 15.9 million in dividends paid out in May and to the acquisition of five ready-mixed concrete plants in the north of France for about EUR 3 million in the first quarter of 2017. In the third quarter of 2017 net financial debt increased by EUR 17.1 million as a result of the acquisition, in August, of a minority interest in the Egyptian subsidiary Sinai White Cement Company for EUR 7.5 million, and the EUR 10.5 million adjustment to the total price paid in July for the acquisition of CCB.

**Total equity** at 30 September 2017 amounted to EUR 1,034.6 million (EUR 1,060.3 million at 31 December 2016), not including taxes on earnings for the period.

### Performance by geographical area

### Nordic & Baltic and USA

| (EUR'000) | Jan-Sept 2017 | Jan-Sept 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 622,451 | 403,419 | 54.3% |
| *Denmark* | *264,202* | *252,869* | *4.5%* |
| *Norway / Sweden* | *155,088* | *132,946* | *16.7%* |
| *Belgium / France* | *186,978* | *-* | *n.s.* |
| *Other (A)* | *49,974* | *46,324* | *7.9%* |
| *Eliminations* | *(33,791)* | *(28,720)* | |
| EBITDA | 118,149 | 83,542 | 41.4% |
| *Denmark* | *68,003* | *69,691* | *-2.4%* |
| *Norway / Sweden* | *12,322* | *11,676* | *5.5%* |
| *Belgium / France* | *33,719* | *(32)* | *n.s.* |
| *Other (A)* | *4,104* | *2,207* | *85.9%* |
| EBITDA Margin % | 18.9% | 20.7% | |
| Investments | 50,332 | 18,916 | 166.1% |

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

[5] Net financial debt has been calculated in accordance with Consob rules, as per Consob communication DEM/6064293 of 28 July 2006.

**Denmark**

In the first nine months of 2017, revenue from sales amounted to EUR 264.2 million, up 4.5% as a result of an increase in sales volumes of grey and white cement totalling 5.2%. On the domestic market, sales volumes of grey cement increased 2% mainly due to the residential sector with average sales prices showing a slight increase while volumes of white cement – albeit insignificant – saw a decline of 14% against steadily rising prices. Exports were up for both white cement (+7.5%) as a result of higher deliveries in France, and for grey cement (+14.5%), mainly destined for Norway and Iceland. Sales volumes of ready-mixed concrete were instead stable compared to the same period of 2016, despite the lower volumes for the Copenhagen Metro project, which is nearing completion, with prices slightly up.

EBITDA fell by 2.4% to EUR 68 million compared to the same period of 2016; in the cement sector, there was a slight decrease due to employees severance pay, higher management fees charged by the parent and maintenance expenses, despite the positive effect of higher sales volumes of cement, lower costs for the purchase of clinker from third parties compared to the previous year, and lower costs to purchase electricity; the ready-mixed concrete sector instead showed a slight improvement due to the positive effect of sales prices, which was only partially offset by higher fixed costs.

**Norway and Sweden**

In **Norway,** the Group's ready-mixed concrete sales volumes increased 12% thanks to a particularly mild winter and the significant upturn in construction activity in all regions where the Group is present, except for the south of the country, with average prices in local currency up 1.7%.

In **Sweden**, the Group's sales volumes of ready-mixed concrete increased 11.7%, driven in particular by the residential market in the Malmö, Helsingborg and Lund areas in the south of Sweden, where the Group's subsidiaries have a greater presence, in view of an approximately 1% growth in the country's construction market; Meanwhile aggregate sales saw an increase of over 14%, driven by a major motorway project awarded at the end of 2016.

Overall revenue from sales were up 16.7% to EUR 155.1 million, while EBITDA was EUR 12.3 million, up 5.5%. The results reflect sales performance in Norway and Sweden both in terms of volumes and prices, despite the increase in variable costs of raw materials and general and fixed costs of production.

It should be noted that the Norwegian krone gained around 1.4% in value compared to the average exchange rate in the first nine months of 2016, increasing the contribution of this revenue to the consolidated financial statements translated into euros, while the Swedish krona fell by around 2.2% in the same period.

**Belgium and France**

The Group entered the Belgian market by acquiring Compagnie des Ciments Belges in late October 2016, operating in the production and sale of cement, ready-mixed concrete and aggregates. It also has production facilities in France and exports to neighbouring countries (Netherlands and Germany).

In the first nine months of 2017, the Group's cement sales volumes were up compared to the previous year, although the data were not yet included in the scope of consolidation, in particular in Belgium.

Sales volumes in the ready-mixed concrete segment were up, especially in Belgium as a result of the good weather. It should be noted that the Group acquired five ready-mixed concrete plants in northern France in the first quarter of 2017.

In the aggregates segment, the Group's sales volumes increased both in Belgium – destined mainly to the ready-mixed concrete and asphalt market – and in France, thanks to ongoing road construction projects.

Overall, in the first nine months of 2017, revenues from sales amounted to EUR 187 million with EBITDA of EUR 33.7 million.

**Other**

In the **United Kingdom**, waste management revenue in local currency saw an improvement compared to the same period of 2016 as a result of the increase in volumes of processed waste at the subsidiary Quercia (over 50%), while volumes of the subsidiary Neales suffered a decline (approximately 5%) due to the loss of several important contracts. EBITDA improved thanks in part to savings on fixed costs.

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 higher variable and fixed costs caused by an operating problem at the terminal in Tampa (Florida), which was resolved in mid February. However, EBITDA was in line with the same period of the previous year. It should be noted that the costs incurred relative to the restructuring of the terminal were almost entirely reimbursed by the insurance company.

Total EBITDA stood at EUR 4.1 million, an increase driven mainly by the improvement in the waste management segment in the United Kingdom.

## Eastern Mediterranean

| (EUR'000) | Jan-Sept 2017 | Jan-Sept 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 170,887 | 205,268 | -16.7% |
| *Turkey* | *141,898* | *169,191* | *-16.1%* |
| *Egypt* | *28,989* | *36,076* | *-19.6%* |
| *Eliminations* | *-* | *-* | |
| EBITDA | 23,814 | 36,200 | -34.2% |
| *Turkey* | *13,378* | *28,015* | *-52.2%* |
| *Egypt* | *10,436* | *8,184* | *27.5%* |
| EBITDA Margin % | 13.9% | 17.6% | |
| Investments | 6,175 | 8,529 | -27.6% |

**Turkey**

Revenue fell to EUR 141.9 million (EUR 169.2 million in the first nine months of 2016) due partly to the depreciation of the Turkish lira against the euro (-22% compared to the average exchange rate for the same period of 2016).

Revenue in local currency fell by 2.4%. The Group's cement and clinker sales volumes saw a significant improvement in the third quarter of 2017, meaning that figures for the first nine months of the year were in line with volumes for the previous year both in the domestic market in exports, after the early part of the year was affected by adverse weather conditions, delays on some key construction projects, strong competition and the uncertain political situation in the country.

Domestic cement prices in local currency were slightly up over the nine months and recovering compared to the first half, sustained by the start of anticipated infrastructure projects in the regions of Eastern Anatolia, Marmara (motorway bridges, canal bridges and canals) and the Aegean (residential, commercial and infrastructural investments) – all of which are regions where the Group has plants. There were price tensions both on the domestic market due to excess production capacity in the country and on international markets.

In the ready-mixed concrete sector, sales volumes fell by 24% due to the deferral of certain projects, in particular a project related to a motorway (Nurol) which has been postponed to 2018, with prices up 7.3% in local currency. A new ready-mixed concrete plant has been operational since March while another two should enter into production in the fourth quarter of 2017 (two in the Marmara region and one in the Aegean region).

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 nine months of 2016 due to the increase in volumes sent to landfill, sales volumes of alternative fuel (RDF), greater supplies of alternative fuel to the Group's cement production facilities (Edirne and Izmir), and an increase in volumes received for temporary storage, despite a decrease in recycled ferrous materials and packaging.

The Hereko division, which processes Istanbul's solid urban waste, underwent a reorganisation in an effort to improve profitability and product quality. This led to a significant reduction in processed volumes (approximately 80%) but the accounting period ended with a notable improvement in results.

The overall decrease in EBITDA is attributable to the depreciation of the Turkish lira and, to a lesser extent, the above-mentioned fall in ready-mixed concrete sales volumes and cement export prices. On the cost side, there was also a considerable increase in fuel costs and, to a lesser extent, in electricity costs, plus a rise in fixed costs (employees, maintenance and general expenditure) despite management efforts to recover profitability.

**Egypt**

In Egypt, revenue from sales totalled EUR 29.0 million (EUR 36.1 million in the first nine months of 2016), down due to the depreciation of the Egyptian pound against the euro as, in early November 2016, the Egyptian Central Bank announced the decision to leave the Egyptian pound to float freely.

In fact, revenue in local currency increased 68.2% thanks to higher sales volumes of cement on the domestic market (+23%) with an increase in average sales prices in local currency and the increase in export volumes (+10.5%), especially to the United States, which more than offset lower volumes in Russia and Saudi Arabia, with the latter penalised by the stoppage of infrastructure programmes due to the fall in the oil price, with average sales prices in dollars falling in all principal markets (especially USA, Saudi Arabia and Jordan, due to strong international competition).Overall cement sales – including exports – were up 17%.

EBITDA was EUR 10.4 million (EUR 8.2 million in the same period 2016), up thanks mainly to the positive effect of higher volumes and prices and the reduction in the cost of fuel deriving from the full usage of petroleum coke in the production process instead of fuel oil, which was partially offset by the negative effect of the depreciation of the Egyptian pound.

### Asia Pacific

| (EUR'000) | Jan-Sept 2017 | Jan-Sept 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 59,854 | 56,933 | 5.1% |
| *China* | *32,237* | *29,856* | *8.0%* |
| *Malaysia* | *27,697* | *27,201* | *1.8%* |
| *Eliminations* | *(80)* | *(124)* | |
| EBITDA | 13,563 | 13,787 | -1.6% |
| *China* | *7,816* | *6,911* | *13.1%* |
| *Malaysia* | *5,747* | *6,876* | *-16.4%* |
| EBITDA Margin % | 22.6% | 24.2% | |
| Investments | 1,895 | 1,341 | 41.3% |

**China**

In local currency, revenue from sales increased 11.3% compared to the first nine months of the previous year thanks to the increase in the volumes of white cement and clinker sold on the domestic market (+3%), plus a favourable trend in prices (+11% on cement and clinker in local currency). More stringent environmental controls by the local Chinese authorities have resulted in "stop and go" situations for many plants involved in the production of white cement, especially in northern China. Exports, not significant in the period and mainly directed to South Korea and Hong Kong, were down 11.6% with prices in dollars down 9%.

EBITDA of EUR 7.8 million (EUR 6.9 million in the same period of 2016) benefitted from the positive trend in sales volumes and prices on the domestic market, partially offset by the increase in variable costs connected to the higher price of raw materials and fuel, plus the increase in fixed costs for employees and maintenance.

**Malaysia**

Sales volumes of white cement and clinker were up 7% overall compared to the same period of the previous year. Sales volumes of cement on the domestic market fell 3% with slightly higher average prices in local currency. Exports of cement and clinker increased instead by about 9%, mainly due to higher volumes of clinker in Australia and the higher sales volumes of cement in Australia, Vietnam, the Philippines and Japan, although exports to Singapore and South Korea were lower. Clinker export prices are down while cement prices are up, in both cases due to the effect of the mix of countries and exchange rates.

EBITDA fell to EUR 5.7 million compared to EUR 6.9 million in the first nine months of the previous year, because of higher costs for fuel and raw materials, higher fixed costs for production employees, maintenance and operating costs at the plant following technical problems in the kiln in the first half of the year, plus the effect of the fall in the exchange rate (6% compared to 2016).

## Central Mediterranean

| (EUR'000) | Jan-Sept 2017 | Jan-Sept 2016 | Change % |
|---|---|---|---|
| Revenue from sales | 135,182 | 74,958 | 80.3% |
| *Italy* | *135,182* | *74,958* | *80.3%* |
| EBITDA | (3,450) | (14,990) | 76.9% |
| *Italy* | *(3,450)* | *(14,990)* | *76.9%* |
| EBITDA Margin % | -2.6% | -20.0% | |
| Investments | 6,563 | 6,969 | -5.8% |

Revenue from sales in the first nine months of 2017 include EUR 51.5 million in revenue from Cementir Sacci. On a like-for-like basis, revenue from sales would in any case have been up thanks to recovering average prices, while cement sales volumes are in line with the previous period against the background of a substantially stable domestic market. Ready-mixed concrete sales volumes were in line with the previous year on a like-for-like basis, albeit with falling prices.

The EBITDA figure includes the EUR 2.7 million negative EBITDA of Cementir Sacci. On a like-for-like basis, it benefitted from the increase in average cement sales prices, lower fixed costs of production and administrative employees and lower general and administrative expenses, as well as savings on electricity, only partially offset by higher variable costs of raw materials especially for new quarry management contracts at some plants. The negative result was also influenced by more than EUR 2 million of non-recurring expenses.

**Directors' report**

## Significant events in the first nine months

The results in the first nine months of 2017 were slightly better than management expected following the strong performance of the Nordic & Baltic and United States, despite the lower earnings in Turkey and the unfavourable exchange rates. The results benefited from the effect of the acquisitions in the second half of 2016, which contributed EUR 30.5 million to EBITDA. On a like-for-like basis, the improvement in EBITDA in Egypt, Italy, China, United Kingdom, Norway and Sweden has partially offset the lower earnings in Turkey and, to a lesser extent, in Malaysia, as well as the depreciation of foreign currencies against the Euro, mainly the Egyptian pound and the Turkish lira.

On 28 April 2017, the **refinancing** was completed 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, made available to finance the acquisitions of CCB and the Sacci business division, to refinance existing credit lines, and to service working capital requirements. The term of the bridge loan, initially set for April 2018, has been extended with the same pool of banks to October 2021, with bullet repayment. The conditions of the loan have been aligned with those of the term loan under the same agreement.

The procedure to adjust the price paid for the acquisition of CCB was concluded in July, resulting in the disbursement of EUR 10.5 million.

In August, Aalborg Portland Holding A/S acquired an **additional stake in the Egyptian company Sinai White Cement Company** for a total of EUR 7.5 million, taking its interest from 57.1% to 66.4%. The transaction strengthened the Group's presence in the white cement sector in Egypt, of significant interest for the Group.

On 19 September, Cementir Holding SpA signed an agreement with Italcementi SpA, a wholly-owned subsidiary of HeidelbergCement AG, for **the sale of 100% of the share capital of Cementir Italia SpA**, including its wholly-owned subsidiaries Cementir Sacci SpA and Betontir SpA (Cementir Italia group), for EUR 315 million on a cash and debt-free basis. Subject to authorisation from the Italian Antitrust Authority, closing of the transaction is expected early next year. As at the date of this interim report, the conditions set out in IFRS 5 have not been met, so the financial results of the company being sold have not been reclassified.

The **Rochefort terminal** on the eastern coast of France, with a capacity of 5,000 tons, was also inaugurated in September, with a view to consolidating the Group's presence in the French white cement sector.

## Litigation

### *Antitrust proceedings*

On 7 August 2017, upon completion of an investigation, the Italian Antitrust Authority ("Authority") served the subsidiary Cementir Italia its final decision, imposing an administrative fine of EUR 5,090,000. The Authority found that the parties involved in the proceedings had a single, complex and ongoing arrangement to coordinate cement sales prices across Italy, also supported by a survey of the trend in their respective market shares that was carried out through an exchange of sensitive information facilitated by the industry association AITEC.

Cementir Italia submitted an appeal on 6 October 2017 to the Regional Administrative Court (TAR) of Lazio for the suspension and subsequent cancellation of the final decision of the Authority, claiming it to be without foundation and illogical, in particular because it attributes a series of alleged unlawful actions to the Company without adequate supporting evidence or in some cases total absence of evidence, and because the Authority has not justified its rejection of the detailed explanations given by the Company. Given the status of the proceedings and pending the outcome of the hearing before the administrative court, no provisions have been made.

***Tax proceedings against Cementir Italia ("Eco-tax")***

In 2015, the Italian Finance Police (Guardia di Finanza) in Taranto and the Taranto Provincial Police Unit began a tax audit of the company Cementir Italia S.p.A. (Taranto plant) to check on payment of the special tax for the disposal in landfill of solid waste ("Eco-tax"), relating to the slag stored and used in the Taranto plant. On 19 October 2016, despite the defence submitted by the Company, Puglia Region Local Tax Service issued a notice to pay a total of EUR 1.3 million, confirmed by the definitive tax assessment dated 12 January 2017. The Company has appealed to the Provincial Tax Commission of Bari against this decision, requesting its suspension and subsequent cancellation. The company retains that its slag is not waste but rather a by-product and in any case is not waste to be sent to landfill and hence is not subject to tax, as the material can be perfectly well recovered and used in the cement production cycle; in addition, disposal of slag is not an instance of illegal waste disposal.

On 28 June 2017, the Provincial Tax Commission of Bari accepted the request to suspend the disputed decision and set the hearing to discuss the matter for 13 December 2017. No provisions have been made at the current stage of proceedings.

***Preventive seizure of specific areas and facilities in the Italian plant at Taranto***

On 28 September 2017, a preventive seizure order was served on Cementir Italia S.p.A., Ilva S.p.A. (in extraordinary administration) and Enel Produzione S.p.A., as well as some employees of the three companies, issued by the Preliminary Investigating Judge of Lecce (Case no. 3135/17 R.Gip), which also appointed the guardians and legal administrators.

As concerns Cementir Italia, the seizure order related to:

1) seizure of the Cementir Italia SpA plant in Taranto, with provisional usage rights, subject to the order to immediately cease procuring ashes from the Enel Produzione plant and Brindisi and the use in Cementir Italia's production cycle of fly ashes compliant with application legislation;
2) seizure of the remaining inventories stored in warehouses and/or other organisational units within Italy pertaining to "Cementir Italia SpA" of Portland cement (CEM V-B) produced using fly ashes from the Enel Produzione plant in Brindisi.
3) seizure of the assets owned by Cementir Italia in Taranto used to process Ilva slag with provisional usage rights, for a period of 60 days, subject to the order for Cementir Italia to manage the slag as waste and to characterise and if necessary remediate the areas used to store the slag.

Cementir Italia's involvement concerns the administrative offences set out in articles 5, 6 and 25-undecies, paragraph 2 letter F), Legislative Decree 231/2001 with reference to article 260 Legislative Decree 152/2006, as the actions described above are alleged to have been committed by persons responsible for the direction and management of the Cementir Italia plant in Taranto.

According to the investigators' allegations (i) the fly ashes that Cementir Italia bought from Enel Produzione, originating from the Federico II thermoelectric power plant in Brindisi, did not comply with applicable legislation, as traces of substances not derived solely from burning coal were found. Cementir Italia's involvement in the issue, as mere purchaser of the product, is due to allegations that it knew about this situation; (ii) the blast-furnace slag supplied by Ilva to Cementir Italia should be treated as waste, due to its alleged "mechanical" impurities (presence of ferrous metals, crushed stone, debris, etc). According to the investigators, this is also proved by the treatments to which the slag in question needs to be subjected in order to be used in the cement production cycle, namely screening and deferrization, both of which are outside "normal industrial practice" for "pozzolana cement".

Both allegations appear to be completely without foundation.

The supply of fly ashes ceased in early 2016 and there are therefore no remaining quantities of cement produced using fly ashes from Enel Produzione.

Regarding the slag supplied by Ilva, "the normal industrial practice" for the use of slag (which is different to pozzolana) in the production of cement includes both screening and deferrization, both expressly authorised in the Integrated Environmental Authorisation (AIA) of Cementir Italia's Taranto plant.

Since the preventive seizure order, the Company has taken a series of actions submitted for the approval of the Lecce Preliminary Investigating Judge:

(i) request to sell the cement already produced, present in the plant at the time of the seizure order and not subject to said order. On 23 October 2017, the judge authorised the Company to sell the cement;

(ii) request for the characterisation of the slag subject to the seizure order. The company is awaiting the judge's decision.

## Significant events after the close of the quarter

There are no significant events to report after the close of the quarter, except for those already mentioned in the Litigation section.

## Business outlook

No changes are forecast in the fourth quarter of 2017 compared to the first nine months of the year. As regards targets, the Group believes it can achieve EBITDA of around EUR 215 million and a net financial debt of about EUR 545 million at the end of 2017, taking into account the extraordinary transactions carried out in the third quarter of 2017.

### Alternative performance indicators

The Cementir Holding Group uses a number of alternative performance indicators to allow a better assessment of earnings and financial performance. In line with Consob Communication 92543/2015 and the ESMA Guidelines (ESMA/2015/1415), the meaning and content of these indicators are provided below.

- EBITDA: an indicator of operating performance calculated by adding together "EBIT" and "Amortisation, depreciation, impairment losses and provisions";
- Net financial debt: an indicator of financial structure calculated according to Consob Communication 6064293/2006, as the sum of the items:
    - Current financial assets
    - Cash and cash equivalents
    - Current and non-current financial liabilities
- Net capital employed: calculated as the total amount of non-financial assets, net of non-financial liabilities.

Rome, 8 November 2017
Chairman of the Board of Directors
/s/ Francesco Caltagirone Jr

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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.