2018 ANNUAL REPORT

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

cementir holding
GRUPPO CALTAGIRONE

Contents

General information

Directors' report

GENERAL INFORMATION

GROUP PROFILE

Cementir Holding is an Italian multinational company operating in the construction materials sector all over the world. Through its subsidiaries in 18 countries and on 5 continents, the Cementir Group is world leader in white cement and is specialised in producing and distributing grey cement, ready-mixed concrete, aggregates, concrete products and is active in the processing of urban and industrial waste.
The company was incorporated in 1947 and is part of the Caltagirone Group. It has been listed on the Milan Stock Exchange since 1955 and is currently included in the STAR segment.

The Group's international growth over the years was mainly driven by investments and acquisitions for over €1.7 billion, which have transformed the company from a domestic to a multinational player with production sites and products commercialised in more than 70 countries.

With about 3.3 million tons of installed capacity, Cementir Group is the world leader in the white cement segment; It is also leader in the production of cement and ready-mixed concrete in Scandinavia, is third in Belgium and one of the main international producers of cement in Turkey.
The company pursues a strategy which aims to achieve both geographical and product diversification and a growing integration of its operations.

11	Cement plants
13.1 (million t)	Cement production capacity
105	Ready-mixed concrete plants
9.8 (million t)	Cement sold
4.9 (million cm)	Ready-mixed concrete sold
10.0 (million t)	Aggregate sold
1,196 (million/€)	Revenue
238 (million/€)	Ebitda
3,083	Employees

GLOBAL PRESENCE

Grey cement production capacity: 9.8 million t
White cement production capacity: 3.3 million t
Grey cement sales: 7.3 million t
White cement sales: 2.5 million t
Ready-mixed concrete sales: 4.9 million m^3
Aggregate sales: 10.0 million t

Cement plants: 11
Terminals: 31
Ready-mixed concrete plants: 105
Quarries: 11
Cement product plants: 1
Waste management facilities: 3

Denmark
Grey cement production capacity: 2.1 million t
White cement production capacity: 0.85 million t
Cement plants: 1 (7 kilns)
Ready-mixed concrete plants: 37
Terminals: 9
Quarries: 3

Norway
Ready-mixed concrete plants: 28
Terminals: 1

Sweden
Ready-mixed concrete plants: 9
Quarries: 5

United Kingdom
Waste management facilities: 1
Terminals: 2

Latvia
Terminals: 1

Iceland
Terminals: 3

Netherlands
Terminals: 1

Poland
Terminals: 1

Belgium
Grey cement production capacity: 2.3 million t
Cement plants: 1
Ready-mixed concrete plants: 10
Terminals: 1
Quarries: 2

France
Ready-mixed concrete plants: 5
Terminals: 1

USA
White cement production capacity: 0.26 million t
Cement plants: 2
Cement product plants: 1
Terminals: 3

Turkey
Grey cement production capacity: 5.4 million t
Cement plants: 4
Ready-mixed concrete plants: 16
Waste management facilities: 2

Egypt
White cement production capacity: 1.1 million t
Cement plants: 1

China
White cement production capacity: 0.7 million t
Cement plants: 1
Terminals: 3

Malaysia
White cement production capacity: 0.35 million t
Cement plants: 1
Terminals: 1

Australia
Terminals: 4

Italy
Headquarter of Cementir Holding SpA

Nordic & Baltic

Volumes sold (million/t–m³)	2018	2017
Denmark		
Grey cement sales	1.57	1.59
White cement sales	0.63	0.77
Ready-mixed concrete sales	1.14	1.18
Aggregate sales	0.86	0.85
Norway		
Ready-mixed concrete sales	0.90	1.00
Sweden		
Ready-mixed concrete sales	0.24	0.24
Aggregate sales	3.32	3.30

Belgium / France

Volumes sold (million/t–m³)	2018	2017
Belgium / France		
Grey cement sales	1.95	1.90
Ready-mixed concrete sales	0.93	0.97
Aggregate sales	5.76	5.18

North America

Volumes sold (million/t)	2018	2017
United States		
White cement sales	0.50	-

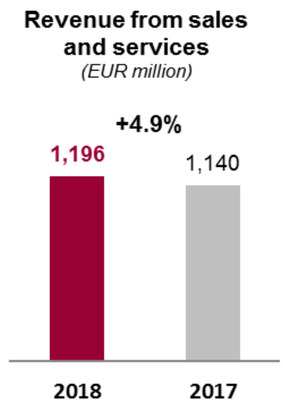
Eastern Mediterranean

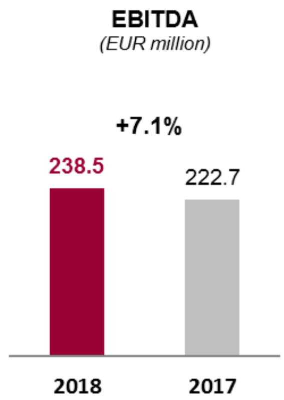
Volumes sold (million/t–m³)	2018	2017
Turkey		
Grey cement sales	3.66	4.50
Ready-mixed concrete sales	1.70	1.56
Egypt		
White cement sales	0.36	0.54

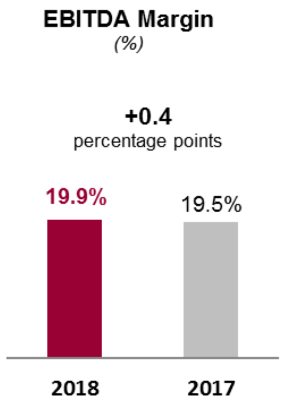
Asia Pacific

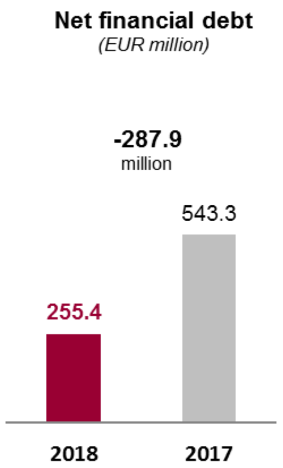
Volumes sold (million/t)	2018	2017
China		
White cement sales	0.66	0.65
Malaysia		
White cement sales	0.34	0.32

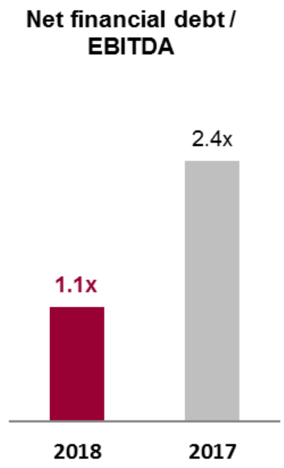
PERFORMANCE, FINANCIAL AND EQUITY HIGHLIGHTS

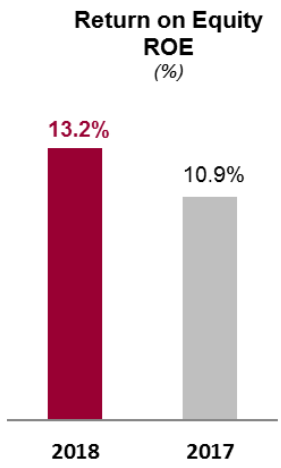












Performance highlights

(EUR'000)	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Revenue from sales and services	1,196,186	1,140,006	1,027,578	969,040	948,013	988,614	976,193
EBITDA	238,504	222,697	197,826	194,036	192,432	169,720	138,054
EBITDA Margin %	*19.9%*	*19.5%*	*19.3%*	*20.0%*	*20.3%*	*17.2%*	*14.1%*
EBIT	153,213	140,565	94,659	97,645	104,085	76,684	48,230
EBIT Margin %	*12.8%*	*12.3%*	*9.2%*	*10.1%*	*11.0%*	*7.8%*	*4.9%*
Net financial income (expense)	31,422	(13,912)	23,936	3,998	(4,602)	(13,530)	(19,614)
Profit before taxes	184,635	126,653	118,595	101,643	99,483	63,154	28,616
Income taxes	(35,866)	(16,393)	(33,246)	(26,542)	(20,758)	(14,992)	(4,572)
Profit from continuing operations	148,769	110,260	85,349	75,101	78,725	48,162	24,044
Profit margin %	*12.4%*	*9.7%*	*8.3%*	*7.8%*	*8.3%*	*4.9%*	*2.5%*
Profit (loss) from discontinued operations	(13,109)	(33,094)	-	-	-	-	-
Profit for the year	135,660	77,166	85,349	75,101	78,725	48,162	24,044
Profit attributable to the owners of the parent	127,194	71,471	67,270	67,477	71,634	40,124	16,462
Profit margin %	*10.6%*	6.3%	*6.5%*	*7.0%*	*7.6%*	*4.1%*	*1.7%*

Financial and equity highlights

(EUR'000)	2018	2017	2016	2015	2014	2013	2012
Net capital employed	1,383,799	1,558,929	1,622,741	1,353,192	1,401,632	1,354,291	1,487,152
Total assets	2,132,223	2,357,329	2,435,444	1,849,551	1,873,410	1,848,027	1,975,161
Total equity	1,128,384	1,015,658	1,060,303	1,131,105	1,123,301	1,029,409	1,114,123
Equity attributable to the owners of the parent	997,146	956,188	992,697	1,048,670	1,043,070	954,425	1,034,920
Net financial debt	255,415	543,271	562,438	222,087	278,331	324,882	373,029

Profit and equity ratios

	2018	2017	2016	2015	2014	2013	2012
Return on equity (a)	13.2%	10.9%	8.0%	6.6%	7.0%	4.7%	2.2%
Return on capital employed (b)	11.1%	9.0%	5.8%	7.2%	7.4%	5.7%	3.2%
Equity ratio (c)	52.9%	43.1%	43.5%	61.2%	60.0%	55.7%	56.4%
Net gearing ratio (d)	22.6%	53.5%	53.0%	19.6%	24.8%	31.6%	33.5%
Net financial debt/EBITDA	1.1x	2.4x	2.8x	1.1x	1.4x	1.9x	2.7x

(a) Profit (loss) from continuing operations/Total equity
(b) EBIT/Net capital employed
(c) Total equity/Total assets
(d) Net financial debt/Total equity

Personnel and investments

	2018	2017[e]	2016	2015	2014	2013	2012
Number of employees (at 31 Dec)	3,083	3,021	3,667	3,032	3,053	3,170	3,311
Acquisitions (EUR million)	(223)	7.5	405.4[f]	-	-	-	10.7
Investments (EUR million)	66.7	85.8	71.8	61.3	66.3	81.7	87.5

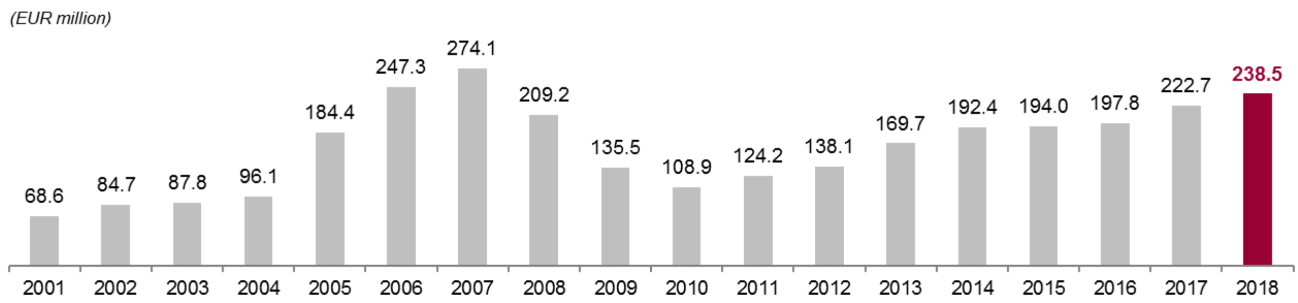
(e) The figures shown do not include the contribution of the Cementir Italia Group.
(f) On a cash and debt-free basis.

Sales volumes

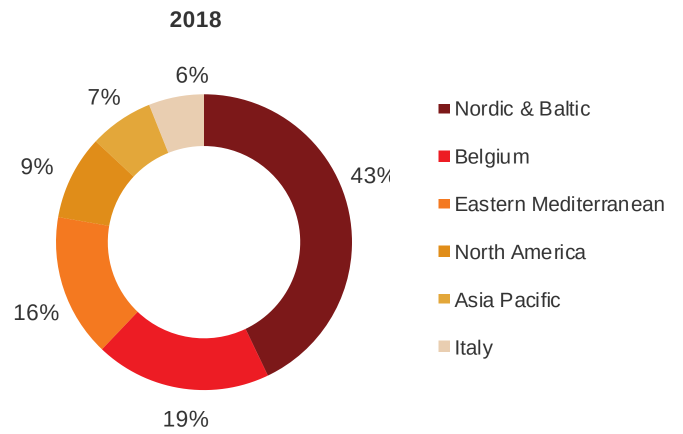
(000)	2018[e]	2017[e]	2016	2015	2014	2013	2012
Grey and white cement (metric tons)	9,828	10,282	10,110	9,368	9,560	9,737	9,833
Ready-mixed concrete (m^3)	4,921	4,948	4,420	3,749	3,495	3,736	3,580
Aggregates (t)	9,953	9,335	4,462	3,813	3,259	3,234	3,490

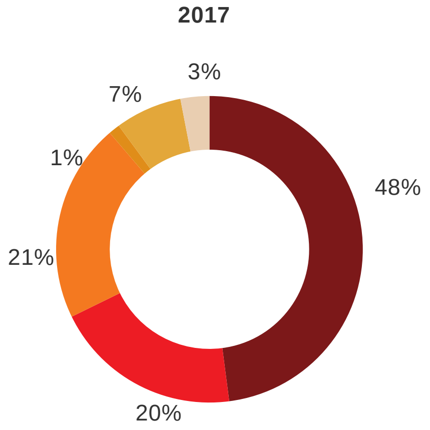
(e) The figures shown do not include the contribution of the Cementir Italia Group.

EBITDA performance



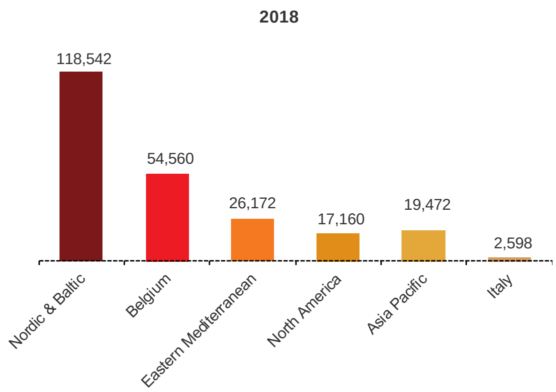
Revenue from sales and services by geographical segment[1]

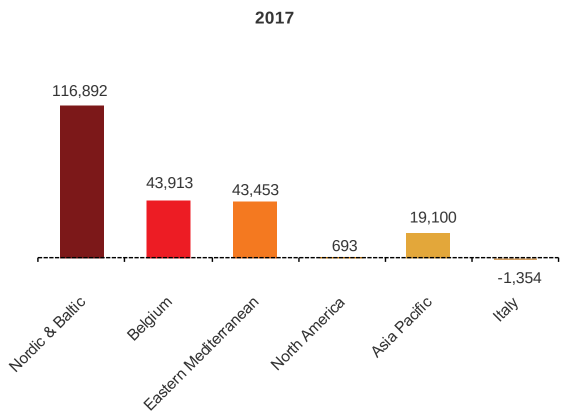




(EUR'000)	**2018**	**2017**	**Change %**
Nordic & Baltic	553,677	565,274	-2.1%
Belgium	248,021	233,637	6.2%
Eastern Mediterranean	201,381	247,378	-18.6%
North America	119,180	14,039	748.9%
Asia Pacific	90,502	83,002	9.0%
Italy	78,023	35,837	117.7%
Eliminations	(94,598)	(39,161)	-141.6%
Total revenue from sales and services	**1,196,186**	**1,140,006**	**4.9%**

EBITDA by geographical segment

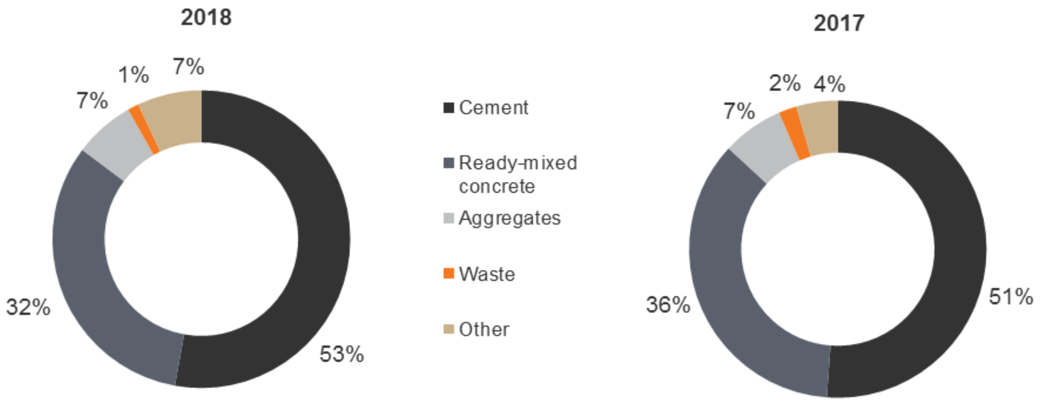




(EUR'000)	**2018**	**2017**	**Change %**
Nordic & Baltic	118,542	116,892	1.4%
Belgium	54,560	43,913	24.2%
Eastern Mediterranean [1]	26,172	43,453	-39.8%
North America	17,160	693	2376.2%
Asia Pacific	19,472	19,100	1.9%
Italy	2,598	(1,354)	291.9%
Total EBITDA	**238,504**	**222,697**	**7.1%**

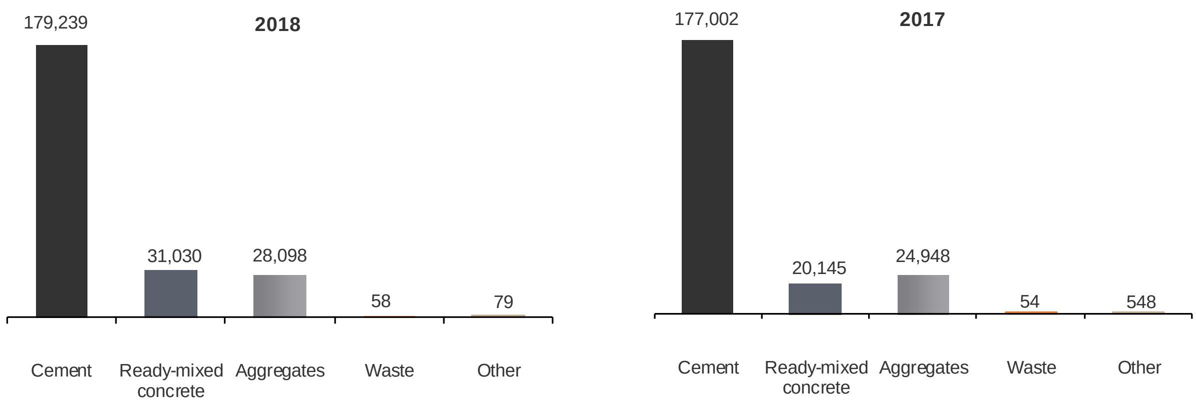
[1] Includes non-recurring revenue of EUR 11.5 million in 2018 and EUR 10.1 million in 2017.

Revenue from sales and services by business segment[4]



(EUR'000)	2018	2017	Change %
Cement	700,172	633,829	10.5%
Ready-mixed concrete	429,066	441,617	-2.8%
Aggregates	87,070	82,606	5.4%
Waste	16,092	24,264	-33.7%
Other	92,357	55,820	65.5%
Eliminations	(128,571)	(98,130)	31.0%
Total revenue from sales and services	**1,196,186**	**1,140,006**	**4.9%**

EBITDA by business segment



(EUR'000)	2018	2017	Change %
Cement [2]	179,239	177,002	1.3%
Ready-mixed concrete	31,030	20,145	54.0%
Aggregates	28,098	24,948	12.6%
Waste	58	54	7.4%
Other[6]	79	548	-85.6%
Total EBITDA	**238,504**	**222,697**	**7.1%**

[2] Includes non-recurring revenue of EUR 11.5 million in 2018 and EUR 10.1 million in 2017.

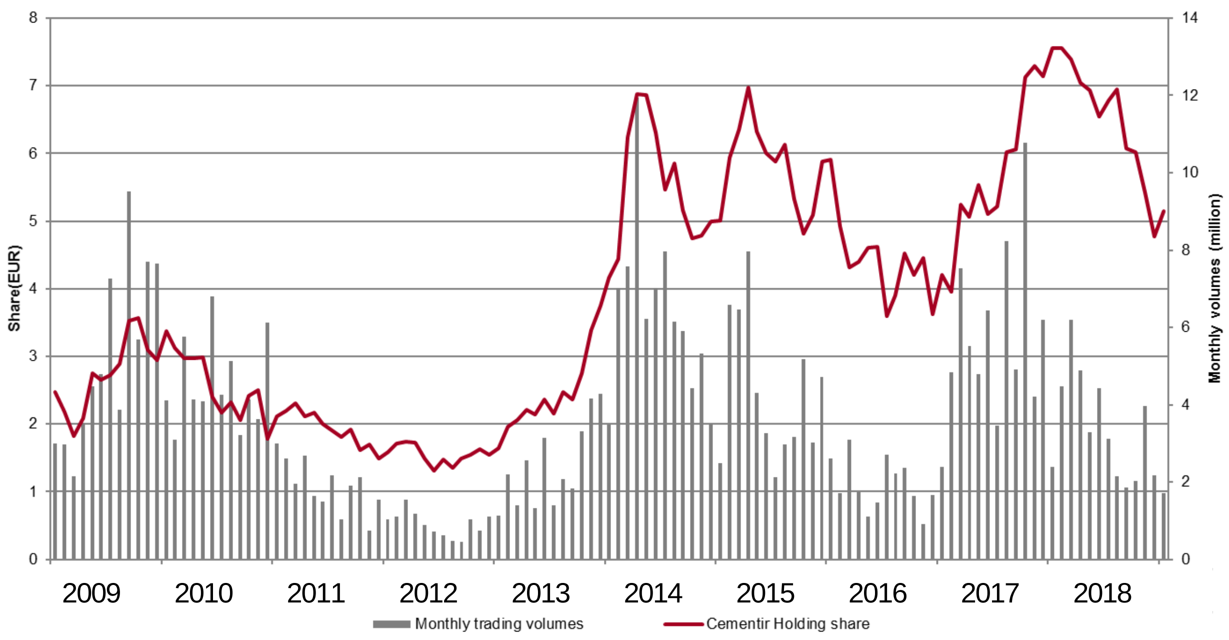
CEMENTIR HOLDING ON THE STOCK EXCHANGE

Key market data

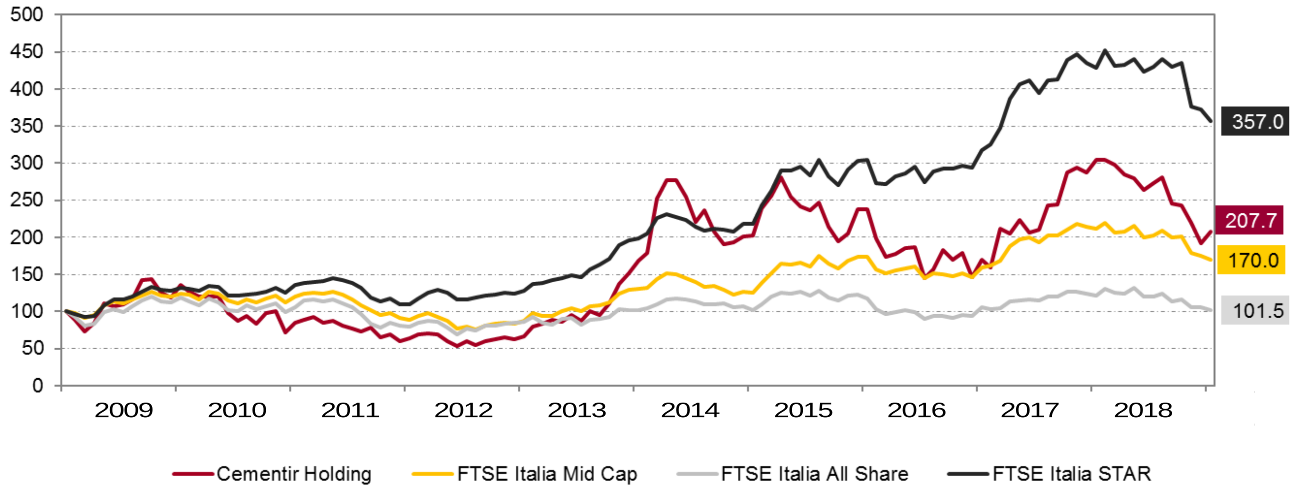
(EUR'000)	**2018**	**2017**	**2016**	**2015**	**2014**
Share capital at 31 December (EUR)	159,120,000	159,120,000	159,120,000	159,120,000	159,120,000
Number of ordinary shares	159,120,000	159,120,000	159,120,000	159,120,000	159,120,000
Earnings per share (EUR)	0.799	0.449	0.423	0.424	0.450
Dividend per share (EUR)	0.14 (1)	0.10	0.10	0.10	0.10
Pay-out ratio	17.5%	21.8%	23.7%	23.6%	22.2%
Dividend yield (2)	2.7%	1.3%	2.4%	1.7%	2.0%
Market capitalisation (EUR million)(2)	816.3	1,201.4	668.6	939.6	798.0
Share price (EUR)					
Low	4.48	3.86	3.30	4.68	4.05
High	8.19	7.63	5.92	7.12	7.49
Year-end price	5.13	7.55	4.20	5.91	5.02

(1) Dividend proposed to the Shareholders' Meeting.
(2) Figures are calculated on the basis of the year-end price.

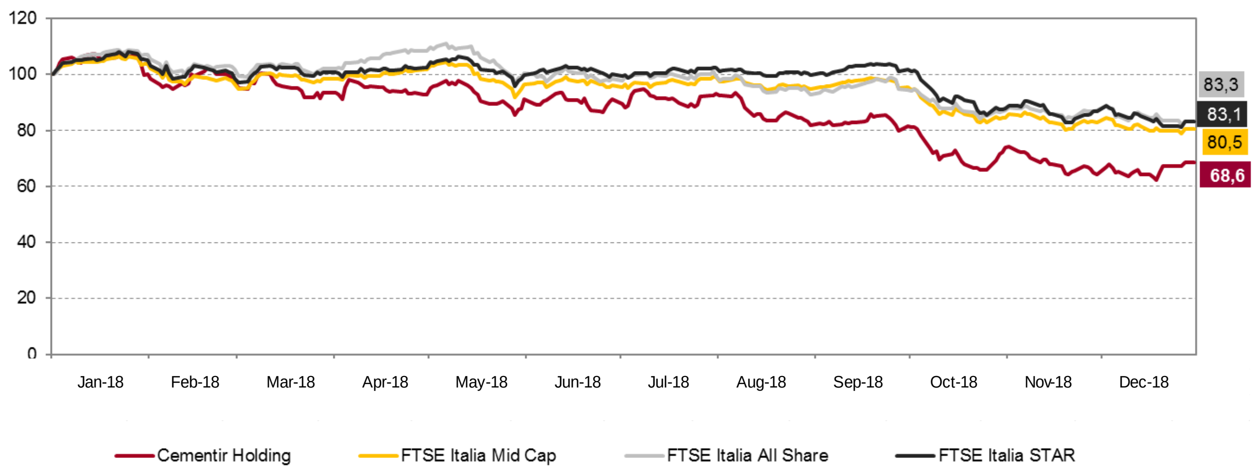
Performance of Cementir Holding shares (31 December 2008–31 December 2018)



Performance of Cementir Holding shares versus FTSE Italia Mid Cap, FTSE Italia All Share and FTSE Italia STAR indexes (base 31 December 2008 = 100)



Performance of Cementir Holding shares versus FTSE Italia Mid Cap, FTSE Italia All Share and FTSE Italia STAR indexes (base 2 January 2018 = 100)



Company officers

Board of Directors[1]	*Chairman and CEO*	Francesco Caltagirone Jr.
for the period 2018-2020	*Deputy Chairman*	Carlo Carlevaris[2] *(independent)*
	Directors	Alessandro Caltagirone
		Azzurra Caltagirone
		Edoardo Caltagirone
		Saverio Caltagirone
		Fabio Corsico
		Mario Delfini
		Veronica De Romanis *(independent)*
		Paolo Di Benedetto[3] *(independent)*
		Chiara Mancini *(independent)*
		Roberta Neri *(independent)*
		Adriana Lamberto Floristan *(independent)*
Control and Risks Committee	***Chairman***	Paolo Di Benedetto[3] *(independent)*
	Members	Mario Delfini
		Veronica De Romanis *(independent)*
		Adriana Lamberto Floristan *(independent)*
		Chiara Mancini *(independent)*
Appointment and Remuneration Committee	***Chairman***	Paolo Di Benedetto[3] *(independent)*
	Members	Veronica De Romanis *(independent)*
		Chiara Mancini *(independent)*
		Mario Delfini
Related Parties Committee	***Chairman***	Paolo Di Benedetto[2] *(independent)*
	Members	Veronica De Romanis *(independent)*
		Adriana Lamberto Floristan *(independent)*
		Chiara Mancini *(independent)*
Board of Statutory Auditors	*Chairwoman*	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)*

[1] Appointed by the Shareholders Meeting on 19 April 2018

[2] 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).

[3] Lead Independent Director.

Manager responsible for financial reporting	Giovanni Luise[4]
Independent Auditors for the period 2012–2020	KPMG S.p.A.

[4]The position of Manager responsible for financial reporting was held by Massimo Angelo Sala until 9 November 2018, date of termination of his employment relationship with the Company.

DIRECTORS' REPORT

GROUP PERFORMANCE

Introduction

This Directors' Report refers to the separate and consolidated financial statements of the Cementir Holding Group as at and for the year ended 31 December 2018. They have been prepared pursuant to the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission (hereinafter, the "IFRS").

This report should be read together with the financial statements and related explanatory notes, together making up the consolidated and separate financial report for the year 2018. The consolidated financial statements of the Cementir Holding Group at 31 December 2018 have been prepared in accordance with Consob Regulation No. 11971/1999, as subsequently amended.

Following the agreement for the sale of Cementir Italia SpA and its wholly owned subsidiaries Cementir Sacci SpA and Betontir SpA (the "Cementir Italia Group") finalised on 2 January 2018, the Group recognised the effects of the sale as discontinued operations, in accordance with IFRS 5, which requires reclassification in a separate line item of the net assets and profit or loss of the discontinued operations. As a result, the 2017 amounts have been reclassified with reference solely to the items of the income statement.

The scope of consolidation at 31 December 2018 was changed, compared to 31 December 2017, by the following transactions:

- sale of Cementir Italia SpA and its wholly owned subsidiaries Cementir Sacci SpA and Betontir SpA (the "Cementir Italia Group") finalised on 2 January 2018. The 2017 figures were restated following reclassification of the amounts related to Italian operating companies sold under "Profit (loss) from discontinued operations", pursuant to IFRS 5;
- acquisition of a further 38.75% of Lehigh White Cement Company (hereinafter "LWCC") which was completed on 29 March 2018. As a result of that transaction, the Cementir Group now controls LWCC with a share of 63.25%. In this regard, acquiring control has resulted in recalculation of the fair value of the 24.5% share already held by Cementir;
- sale of the investment in Sola Betong AS, held by Unicon AS at 33.33%; in 2017, that investment was measured using the equity method.

Group performance

In accordance with IFRS 5, the results of the Cementir Italia Group were recognised in 2017 as "discontinued operations."

The consolidated income statement for 2018 are reported below, with comparative figures provided for 2017.

Earnings

(EUR'000)	2018	2017	Change %
REVENUE FROM SALES AND SERVICES	**1,196,186**	**1,140,006**	**4.9%**
Change in inventories	12,378	623	
Other revenue[1]	31,106	29,415	5.7%
TOTAL OPERATING REVENUE	**1,239,670**	**1,170,044**	**6.0%**
Raw materials costs	(479,283)	(444,161)	7.9%
Personnel costs	(176,326)	(174,748)	0.9%
Other operating costs	(345,557)	(328,438)	5.2%
TOTAL OPERATING COSTS	**(1,001,166)**	**(947,347)**	**5.7%**
EBITDA	**238,504**	**222,697**	**7.1%**
EBITDA Margin %	*19.94%*	*19.53%*	
Amortisation, depreciation, impairment losses and provisions	(85,291)	(82,132)	3.8%
EBIT	**153,213**	**140,565**	**9.0%**
EBIT Margin %	*12.81%*	*12.33%*	
Share of net profits of equity-accounted investees	1,050	4,785	-78.1%
Net financial income (expense)	30,372	(18,697)	262.4%
NET FINANCIAL INCOME (EXPENSE)	**31,422**	**(13,912)**	**325.9%**
PROFIT BEFORE TAXES	**184,635**	**126,653**	**45.8%**
PROFIT BEFORE TAXES/REVENUE %	*15.44%*	*11.11%*	
Income taxes	(35,866)	(16,393)	118.8%
PROFIT FROM CONTINUING OPERATIONS	**148,769**	**110,260**	**34.9%**
LOSS FROM DISCONTINUED ACTIVITIES	**(13,109)**	**(33,094)**	
PROFIT FOR THE YEAR	**135,660**	**77,166**	**75.8%**
Profit attributable to:			
NON-CONTROLLING INTERESTS	8,466	5,695	48.6%
OWNERS OF THE PARENT	**127,194**	**71,471**	**78.0%**

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

Sales volumes

(EUR'000)	2018	2017	Change %
Grey and white cement (metric tons)	9,828	10,282	-4.4%
Ready-mixed concrete (m^3)	4,921	4,948	-0.6%
Aggregates (metric tons)	9,953	9,335	6.6%

In 2018, **sales volumes** of cement and clinker, equal to 9.8 million tons, dropped 4.4%. On a like-for-like basis, sales of cement and clinker were down 9% due to the negative performance in Turkey and Egypt.

Sales volumes of ready-mixed concrete, 4.9 million cubic metres, were down slightly (-0.6%) due to the drop recorded in Norway and to a lesser extent in Denmark and Belgium, and only partly offset by the growth recorded in Turkey and Sweden.

In the aggregates sector, sales volumes amounted to 10 million tons, up by 7% thanks to the positive performance of sales in Belgium, France and the Netherlands.

Revenue from sales and services was EUR 1,196.2 million, up 4.9% compared to EUR 1,140.0 million in 2017. The increase was due to the change in the scope of consolidation, which led to an increase in revenue of about EUR 104.3 million related to the US company Lehigh White Cement Company ("LWCC"), consolidated in full since 1 April 2018.

On a like-for-like basis, revenue dropped 4.2% due to the significant reduction in revenue in Turkey (caused by the unfavourable exchange rate with the euro), the contraction in sales in Egypt between February and May (caused by military operations in the Sinai peninsula which led to a temporary production stop), and the reduction in Norway (due to harsh weather conditions in the first quarter). However, the revenue performance in Malaysia, Belgium and China was positive.

At constant 2017 exchange rates, revenue would have been EUR 1,273.2 million, up 11.7% compared to the previous year.

Operating costs, of EUR 1,001.2 million, increased by EUR 53.8 million compared to 2017 (EUR 947.3 million) due to the change in the scope of consolidation (EUR 96.2 million).

The **cost of raw materials** was EUR 479.3 million (EUR 444.2 million in 2017), up due to the change in the scope of consolidation (EUR 59.3 million). On a like-for-like basis, the cost of raw materials dropped thanks to a positive exchange rate effect and the reduction in activity volumes in Egypt and Norway, almost completely counterbalanced by the general increase in the price of fuel in international markets.

Personnel costs amounted to EUR 176.3 million, up compared to EUR 174.7 million in 2017. On a like-for-like basis, there was a EUR 8.2 million drop in the personnel cost, mainly caused by a positive exchange effect.

Other operating costs totalled EUR 345.6 million, compared to EUR 328.4 million in 2017. The change in scope accounted for EUR 27.1 million.

EBITDA was EUR 238.5 million, up 7.1% on EUR 222.7 million in 2017. On the one hand, the result benefited from the LWCC contribution for EUR 17.1 million and the improvement in Belgium, China and Sweden. On the other, it suffered from the worse results in Egypt and Turkey for the aforementioned reasons and, to a lesser extent, in Malaysia.

At constant exchange rates with last year, EBITDA would have been EUR 258.3 million, 16% higher than the previous year.

Furthermore, EBITDA benefited from non-current income (EUR 11.5 million compared to 10.1 million in 2017) linked to the revaluation of real estate assets in Turkey.

The EBITDA margin came to 19.9%, showing a slight improvement in industrial profitability compared to 2017 (19.5%).

EBIT, considering amortisation, depreciation, impairment losses and provisions totalling EUR 85.3 million (EUR 82.1 million in 2017), amounted to EUR 153.2 million compared to EUR 140.6 million in the previous year, benefiting by EUR 10.6 million from the contribution of LWCC.

Amortisations, write-downs, impairment losses and provisions include the impairment losses on trade receivables for EUR 3.1 million and accruals to provisions for risks for EUR 4.1 million.

At constant exchange rates, EBIT would have been EUR 166.7 million, up 8.8% compared to 2017.

The **share of net profits of equity-accounted investees** was EUR 1 million (EUR 4.8 million in 2017) and no longer included the LWCC contribution, as the latter was consolidated as of the second quarter of 2018.

Net financial income was EUR 30.4 million (net expenses of EUR 18.7 million in 2017). That result includes EUR 40.1 million of remeasurement of the 24.5% share already held by the Group in LWCC at fair value, as required by the IFRS 3 (Business Combinations), recognised in the second quarter with consolidation of LWCC, following acquisition of control. It also benefits from the exploitation of the mark-to-market of the financial instruments held to hedge commodities, interest rates and currencies, partially offset by exchange rate losses of EUR 12.3 million.

Profit before taxes was EUR 184.6 million (EUR 126.7 million in 2017).

Profit from continuing operations totalled EUR 148.8 million (EUR 110.3 million in 2017), after taxes amounting to EUR 35.9 million (EUR 16.4 million in the previous year). 2017 had felt the impact of the release of deferred tax liabilities due to the reduction in tax rates in Belgium and the United States, both approved in December 2017, for EUR 21.5 million and EUR 2.2 million respectively.

The **loss from discontinued operations**, attributable to the Cementir Italia Group, was a negative EUR 13.1 million (EUR 33.1 million in 2017), of which EUR 5,090 thousand as a result of the decision of the Council of State at the hearing of 7 February 2019, and the remaining part is a provision against some clauses contained in the transfer agreement of Italian assets.

The profit attributable to the owners of the Parent, after non-controlling interest, amounted to EUR 127.2 million (EUR 71.5 million in 2017). The increase in profit attributable to non-controlling interests (EUR 8.5 million compared to 5.7 million in 2017) is essentially caused by the non-controlling interest in LWCC, a 63.25% owned subsidiary.

Financial highlights

(EUR'000)	31-12-2018	31-12-2017
Net capital employed	1,383,799	1,558,929
Total equity	1,128,384	1,015,658
Net financial debt[2]	255,415	543,271*

* Net financial debt at 31 December 2017 excludes the financial assets and liabilities of the Italian companies sold.

Net financial debt as at 31 December 2018 was EUR 255.4 million, down EUR 287.9 million compared to EUR 543.3 million as at 31 December 2017. This change was mainly attributable to the collection of the sum of EUR 315 million for the sale of the Cementir Italia Group. That drop was partly offset by payment of the total post-closing fee of about EUR 86 million to purchase 38.75% of Lehigh White Cement Company, from the net working capital change of about EUR 37 million, investments of about EUR 67 million, distribution of dividends for EUR 21 million, taxes paid of approximately 42 million and operating cash flow.

In February and October 2018, a term loan credit line with a residual EUR 294 million was settled in full.

Total equity as at 31 December 2018 amounted to EUR 1,128.4 million (EUR 1,015.7 million as at 31 December 2017).

Financial indicators

The following table provides the most significant indicators for a brief assessment of the performance and financial position of the Cementir Holding group.

PERFORMANCE INDICATORS	2018	2017	COMPOSITION
Return on Equity	13.18%	10.86%	Profit from continuing operations/Equity
Return on Capital Employed	11.07%	9.02%	EBIT/(Equity + Net financial debt)
FINANCIAL INDICATORS	**2018**	**2017**	**COMPOSITION**
Equity Ratio	52.92%	43.09%	Equity/Total Assets
Net Gearing Ratio	22.64%	53.49%	Net financial debt/Equity

[2] Net financial debt (see note 17 to the consolidated financial statements) has been calculated in accordance with CONSOB rules, as per CONSOB communication DEM/6064293 of 28 July 2006.

KEY EVENTS OF THE YEAR

2018 closed with an EBITDA of EUR 238.5 million (EUR 222.7 million in 2017). It benefited, on the one hand, from the LWCC contribution for EUR 17.1 million and the improved performance in Belgium, China and Sweden. On the other, it suffered from worse results in Egypt due to the military operations in the Sinai peninsula, in Turkey due to the deteriorated economic situation and, to a lesser extent, in Malaysia. In particular, the negative evolution of the economic situation in Turkey characterised performance in the second half of the year.

The cash flow generated by operating activities and control of working capital allowed the Group to end the year with net financial debt of EUR 255.4 million, better than forecast.

On the operational front, integration of the US company LWCC with the Group's organisational structure and IT platform is proceeding according to plan and should be finished by the end of the first quarter of 2019.

On 2 January, an agreement was signed 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.

On 29 March 2018, Cementir Holding finalised the purchase of a further 38.75% of **Lehigh White Cement Company** from Lehigh Cement Company LLC, a subsidiary of HeidelbergCement AG.

The acquisition, announced on 14 February 2018, has an overall value of USD 106.6 million on a cash and debt-free basis, paid entirely at closing on 29 March 2018.

As a result of this transaction, the Cementir group now controls LWCC with a stake of 63.25% as at 31 December 2018, while the remaining 36.75% is held by the Cemex Group. The acquisition enables direct management of assets in the United States in the white cement sector, the Group's core business, strengthening its global leadership consistent with its growth strategy.

On 10 May 2018, the Board of Directors of the Parent approved the **2018-2020 Business Plan**. Please refer to the relevant press release for further details.

The procedure to **adjust the price paid for the sale of the Italian assets was** concluded in September and resulted in the disbursement of less than EUR 0.5 million.

In October, the investment in the Egyptian company Sinai White Portland Cement increased from 66.42% to 71.11% with an investment of EUR 3.8 million.

The **procedure to adjust the price paid to acquire LWCC** was concluded in December and resulted in an overall disbursement of less than EUR 0.5 million.

The other significant events to be mentioned include the sale of the investment in Sola Betong AS, held by Unicon AS for 33.33% for a price of about EUR 2.6 million.

PERFORMANCE BY GEOGRAPHICAL SEGMENT

Introduction

The Group's operations are organised on a regional basis, divided into Regions that represent the following geographical areas: Nordic & Baltic, Belgium, North America, Eastern Mediterranean, Asia Pacific and Italy.
The Nordic & Baltic includes Denmark, Norway, Sweden, Iceland, Poland, Russia and the white cement operations in Belgium and France. Belgium, previously included in the Nordic & Baltic and US region, includes the activities of the Compagnie des Ciments Belges S.A. group in Belgium and France. North America includes the United States, previously included in the item Other in the Nordic & Baltic and USA Area. Turkey and Egypt are grouped into the Eastern Mediterranean area, while the Asia Pacific area includes China, Malaysia and Australia.

Nordic & Baltic

(EUR'000)	2018	2017	Change %
Revenue from sales	553,677	565,274	-2.1%
Denmark	*356,206*	*358,793*	*-0.7%*
Norway / Sweden	*200,271*	*211,789*	*-5.4%*
Other (1)	*54,781*	*40,373*	*35.7%*
Eliminations	*(57,581)*	*(45,681)*	
EBITDA	118,542	116,892	1.4%
Denmark	*96,331*	*95,832*	*0.5%*
Norway / Sweden	*19,034*	*18,093*	*5.2%*
Other (1)	*3,177*	*2,967*	*7.1%*
EBITDA Margin %	21.4%	20.7%	
Investments	28,892	49,471	

(1) Iceland, Poland, Russia and white cement operating activities in Belgium and France

Denmark

According to the most recent economic indicators, the Danish economy grew at a rate of 1.2% in 2018, the lowest result since 2012, as a result of temporary factors such as the poor performance of the agricultural industry penalised by the exceptional summer heatwave, classification of the sale of patents as production in 2017, and the revaluation of the GDP performance in 2017 . Economic fundamentals are solid. Real estate market growth continued with house prices rising in real terms.
In 2018, grey cement sales volumes dropped 3% on the domestic market compared to the previous year because of the harsher weather conditions during the winter, completion of the Copenhagen Metro project and weaker market growth than expected. Average sales prices were up slightly (+2%). Sales volumes of white cement on the domestic market dropped 6% with prices stable compared to 2017.
For white cement exports, the situation was slightly negative (-2%) due to smaller sales in the USA, partly offset by greater deliveries to the United Kingdom, Poland, Germany and France. On the contrary, grey cement exports increased (+11%) especially to Iceland, the Faroe Islands and Germany. The average prices

of white cement exports dropped slightly due to the different mix of destination countries while those for grey cement are in line with the previous year.
In the ready-mixed concrete sector, volumes sold dropped compared to 2017 (-3%) with sales prices up slightly in line with inflation.
Revenue from sales EUR 356.2 million, down slightly compared to the previous year.
EBITDA totalled EUR 96.3 million, up slightly on EUR 95.8 million in 2017.
The cement sector's EBITDA was essentially stable: the higher unit purchase costs for fuel, electricity, distribution and internal logistics costs were more than offset by reductions in direct production costs.
The ready-mixed concrete sector also recorded an EBITDA consistent with the previous year due to lower sales volumes, higher variable costs for more expensive unit purchases of raw materials and higher distribution expenses offset by the increase in the sale price of ready-mixed concrete, the reduction in personnel, maintenance and general and administrative costs.
The main investments in Denmark in 2018, included EUR 18.3 million in the cement sector, due to numerous maintenance and technical adjustment works to the white cement kilns, and EUR 2.6 million in the ready-mixed concrete sector, due to maintenance of the Odense plant and technical investments in distribution vehicles.

Norway and Sweden

The Norwegian economy slowed down in 2018. The real estate sector recorded a drop in investments to 2015 levels, with deceleration in house prices.
In **Norway,** Group ready-mixed concrete sales volumes dropped by 10% due to the exceptionally harsh winter in the first months of the year and a general reduction in building activities in the residential sector. In the coming months, as some major road projects in the area where the company has its plants should be starting up, this should boost volumes in 2019. The negative performance of ready-mixed concrete volumes (-23%) refers to the first quarter of 2018. However, average prices in local currency increased continuously (by about 6.5%).
In **Sweden**, various factors contributed to the slowdown in operations in 2018. The residential sector saw a decline in demand, with house prices, albeit down, still at high levels.
Sales volumes of ready-mixed concrete were up 2% compared to the previous year: lower sales recorded in the first quarter, due to harsh weather conditions at the start of the year, were recovered during the year thanks to the construction of a new hospital in Malmö, a motorway project in Lund (ESS) and other infrastructure projects begun in the south of the country, as well as growth in the residential sector. Average prices in local currency increased (by about 9%) due to inflation and to the product mix. Sales of aggregates remained stable compared to 2017, with average prices in local currency up moderately.
On the whole, revenue from sales amounted to EUR 200.3 million, down 5.4% compared to 2017, whereas EBITDA was EUR 19.0 million (EUR 18.1 million in 2017) down in Norway and up in Sweden.
The Norwegian krone and the Swedish krona depreciated by 3% and 6.5% respectively compared to average exchange rates in 2017.

Expenditure for investments sustained during 2018 was EUR 7.5 million, mainly attributable to extraordinary maintenance on various production plants, renewal of transport vehicles and the new location of the Larvik-Tønsberg plant in Norway.

Belgium

(EUR'000)	2018	2017	Change %
Revenue from sales	248,021	233,637	6.2%
EBITDA	54,560	43,913	24.2%
EBITDA Margin %	22.0%	18.8%	
Investments	16,411	14,763	

According to the most recent sector indicators circulated by the European Central Bank, in 2018 economic growth in Belgium decelerated slightly compared to the previous year, due to a sharp contraction in industrial production in the last part of the year in France and Germany and weakened private consumption, coupled with increasing inflation and unemployment rates. Nevertheless, the construction sector made a positive contribution to growth thanks to the strong performance of both public and residential works.

In 2018, sales volumes of grey cement and clinker increased by over 2% compared to the previous year. The lower sales volumes at the start of the year due to bad weather conditions were more than recovered in the following months. In Belgium, where the market is estimated to have grown 2%, restructuring the Brussels ready-mixed concrete plant (operational again from 18 June) reduced supplies of cement, and the increase in the cement sales prices caused a further contraction in volumes. In France, where the market is estimated to have grown 3%, higher sales volumes were achieved, especially in the north of the country, in the Île-de-France and the Paris area. In the Netherlands, the market is growing well, especially in the ready-mixed concrete and prefab sectors. Average prices were in line with the previous year in both Belgium and France due to inflation-linked price increases counter-balanced by a negative mix-client effect.

In the ready-made concrete sector, volumes sold contracted 4% with different performances in Belgium and France. In Belgium, the 14% contraction in volumes was due to bad weather conditions, to work being stopped in some plants for a few days to migrate to the SAP system, and to restructuring the Brussels plant. By contrast, in France, CCB Group sales volumes grew significantly (+55%) due to full consolidation of the activities of five plants purchased in the first half of 2017 plus a favourable market performance in the areas where the plants are operational. Average prices were up in Belgium (+2.5%) despite the strong competition and contracted slightly in France.

In the aggregates sector, sales volumes recorded growth exceeding 11%, despite bad weather conditions at the beginning of the year, the drop in the ready-mixed concrete distribution channel and end-of-year transport tensions, thanks to the positive performance in Belgium, France and the Netherlands and efforts made to improve logistics and plant production efficiency. More specifically, in Belgium, production mainly went on building roads and total sales volumes were at their highest since 2008, with average prices up slightly due to the favourable mix. In France, sales volumes are related to major road construction projects and the residential building sector with stable average prices.

On the whole, 2018 revenue was EUR 248.0 million (EUR 233.6 million in 2017) and EBITDA was EUR 54.6 million (EUR 43.9 million in 2017). The improved EBITDA can mainly be attributed to the positive performance of sales volumes and prices, especially cement and aggregates, despite the higher fuel, electricity and raw material costs. Personnel costs were down compared to the previous year.

Investments made during the 2018 totalled EUR 16.4 million and concerned the renewal of the new Brussels ready-mixed concrete plant for EUR 1.6 million, the water collection and treatment plant in compliance with limits linked to the 2015 authorisation for EUR 1.2 million and preparatory, quarry-cultivation works (removal of the upper part of non cultivatable material) for around EUR 1 million.

North America

(EUR'000)	2018	2017	Change %
Revenue from sales	119,180	14,039	748.9%
EBITDA	17,160	693	2,376.2%
EBITDA Margin %	14.4%	4.9%	
Investments	4,619	246	

The American economy grew 2.9% in 2018, with a clear acceleration compared to 2017 (+2.2%). The effects of the government's expansionary fiscal policy have encouraged sustained growth in all areas of domestic demand. Less positive signs have come from residential investments, where the slowdown can be partly explained by the rise in mortgage interest rates.

In North America (USA), the subsidiary Lehigh White Cement Company, consolidated into the Cementir Group in the second quarter of 2018, achieved white cement sales volumes of about 0.5 million tons in the nine months from April to December, revenue from sales of EUR 104.3 million and EBITDA of EUR 17.1 million. Compared to the entire previous year (where figures, as stated, were not consolidated), sales volumes over the 12 months of 2018 have increased by more than 7%, including following agreements with non-controlling investors which determined a rise in volumes distributed. Sales prices dropped slightly due to pressure from competition.

The Group's other subsidiaries are active in the production of concrete products and in managing the terminal in Tampa, Florida.

Revenue from sales in the United States totalled EUR 119.2 million (EUR 14.0 million in 2017) and EBITDA was EUR 17.2 million (EUR 0.7 million in 2017), including about EUR 1.4 million of not recurring costs incurred to purchase the majority investment in Lehigh White Cement Company.
Lastly, investments in the United States totalled EUR 4.6 million of which about EUR 2.9 million was in the subsidiary Lehigh White Cement Company, mainly in the Waco plant to increase production capacity (1.8 million in 2018), and EUR 1.7 million related to the terminal in Tampa and the subsidiary Vianini Pipe.

Eastern Mediterranean

(EUR'000)	2018	2017	Change %
Revenue from sales	201,381	247,378	-18.6%
Turkey	*174,006*	*210,935*	-17.5%
Egypt	*27,375*	*36,443*	-24.9%
Eliminations	-	-	
EBITDA	26,172	43,453	-39.8%
Turkey	*22,961*	*31,806*	*-27.8%*
Egypt	*3,211*	*11,647*	*-72.4%*
EBITDA Margin %	13.0%	17.6%	
Investments	11,057	13,767	

In the Eastern Mediterranean, the Group produces grey cement and ready-mixed concrete in Turkey, operates in waste management in Turkey (the figures for which also include units operating in the United Kingdom) and produces white cement in Egypt.

Turkey

The currency crisis that exploded in August 2018 had severe repercussions on the Turkish economy. The heavy exchange rate depreciation fed inflation, on both consumer prices and production, the latter especially affected by the increased costs to procure energy raw materials. GDP showed an average increase of 3% compared to 7.4% in 2017. The constructions sector suffered from the financial crisis, both in the private sector and due to the Government's blocking public investments. In particular, the third quarter of 2018 suffered the sharp depreciation of the Turkish lira against the euro and US dollar. Since September, domestic and international policy factors such as the increase in the interest rate to 24% have gradually stabilised exchange rates. Annual inflation was around 38.5% in December 2018.
Group revenue, totalling EUR 174.0 million (EUR 210.9 million in 2017), dropped due to the depreciation of the Turkish lira against the euro (-38% compared to the average exchange rate in the 12 months of 2017).
In local currency, sales revenue increased overall by around 12%.
Cement and clinker sales volumes dropped 18.6% after growing 18% in the first quarter, with a reduction in activities linked to the country's economic situation. The drop in volumes was partly due to the careful sales policy aimed at reducing the risks of bad debts. Domestic market sales volumes dropped 14.5% while

exports dropped 43%. Sustained by inflation, average domestic prices for cement in local currency increased considerably in the 12 months, with different performances in the various plants.
In the ready-mixed concrete sector, sales volumes grew 9% compared to 2017, with prices in local currency up by about 24%, sustained by inflation. The rise in volumes was also assisted by the start-up of two new ready-mixed concrete plants in the Marmara region (Hasanağa, operational from the end of March, and Kırklareli, operational from the end of April) while another four plants were closed temporarily, due to the contraction in local demand.
With respect to the waste management sector, the subsidiary Sureko, which processes industrial waste, recorded local currency revenues in line with 2017, though with a moderate reduction in volumes processed. More specifically, the decrease concerned waste disposed of in landfills, the materials received for temporary storage and raw material sludge. On the contrary, there was an increase in the supplies of alternative fuel (RDF) to the Group's cement production plants (Edirne and İzmir).
The Hereko division, active in processing Istanbul's urban solid waste, was positively affected by the 2017 reorganisation with an increase in local currency revenue of about 13%.
The subsidiary, Quercia, operating in the United Kingdom, showed a slight improvement in revenue compared to the same period in 2017 due to the increase in waste volumes processed. At the end of March 2018, the Group sold some assets of Neales, another United Kingdom subsidiary, for about GDP 1.5 million, with a capital gain of about EUR 1 million.
EBITDA totalled EUR 23.0 million (EUR 31.8 million in 2017) and included non-recurring income of about EUR 11.5 million (EUR 10.1 million in 2017) due to the revaluation of real estate assets. The decrease, net of non-recurring components, can be attributed to smaller cement sales volumes but, above all, to the increase in purchase prices of fuel, electricity, raw materials (for both cement and ready-mixed concrete) and the ready-mixed concrete distribution logistics, the increase in maintenance and personnel costs and, in general, an increase in fixed costs. These negative effects were partly offset by the positive trend of cement and ready-mixed concrete sales prices on the domestic market and cement exports.
Investments totalled EUR 10.1 million, of which EUR 7 million in the cement business, especially in the İzmir and Edirne plants, EUR 0.5 million in the ready-mixed concrete business, for extraordinary maintenance, and EUR 2.6 million in the waste management business, mainly referred to the subsidiary Quercia.

Egypt

In Egypt, GDP grew 5% in 2018, the fastest increase in a decade. Growth was mainly bolstered by a strong recovery of public investment expenditure, the continuing increase in the production of natural gas and the recovery of the tourist sector. However, the manufacturing activity composite index dropped in the fourth quarter of 2018, with impact on the demand for private investment in the building sector.

It should be remembered that, in February 2018, the country's army started an important military operation in the Sinai area, hence stopping all logistics and transport activities. Following this, exports and domestic sales were suspended to start again at the end of April. Those restrictions had a negative impact on operations and distribution costs. The military security operation, now limited to monitoring, is still ongoing, generating an increase in logistics costs.

Revenues from sales were EUR 27.4 million (EUR 36.4 million in 2017), dropping, due to both the above-mentioned reasons and the depreciation of the Egyptian pound against the euro (-4.5% compared to the average exchange rate in 2017).

White cement sales volumes on the domestic market dropped 34%, with average prices in local currency increasing by the same percentage due to inflation. Volumes exported dropped 25%, especially towards Saudi Arabia and the United States, with sales prices in dollars down around 7%.

EBITDA stabilised at EUR 3.2 million (EUR 11.6 million in 2017), especially due to the lower sales volumes, while the increase in variable costs (raw materials, fuel, electricity and packaging) was only partly offset by the aforementioned increase in sales prices on the domestic market. Substantial savings were recorded in fixed costs compared to the previous year. Distribution costs were significant in the year due to the aforementioned transport restrictions which forced the company to reorganise logistics using a fleet of rented vehicles. When production activities had stabilised, in the last quarter margins returned in line with the previous year.

Investment expenditure amounted to EUR 1 million, mainly referred to extraordinary maintenance and the purchase of strategic spare parts.

Asia Pacific

(EUR'000)	2018	2017	Change %
Revenue from sales	90,502	83,002	9.0%
China	*45,732*	*44,129*	*3.6%*
Malaysia	*44,777*	*38,966*	*14.9%*
Eliminations	*(7)*	*(93)*	
EBITDA	19,472	19,100	1.9%
China	*12,753*	*11,166*	*14.2%*
Malaysia	*6,719*	*7,934*	*-15.3%*
EBITDA Margin %	21.5%	23.0%	
Investments	5,117	3,252	

China

In China, the lower economic growth, ongoing since the start of 2018, continued in the last few months. The increase in GDP was 6.6% compared to 6.9% in 2017. The continual squeeze on the so-called "shadow" banking sector activities, the real estate market restrictions and a decisive drop in public investments in the first nine months of 2018 were the internal reasons for the slowdown. In addition, the trade conflict with the United States affected consumer confidence, contributing to the drop in durable consumer goods. However, the monetary and fiscal stimulus policies implemented by the government, besides preventing the risk of a sharp economic slowdown, favoured greater investments in infrastructures in the last part of the year.

Revenue from sales was EUR 45.7 million, up 4% compared to EUR 44.1 million in 2017. In local currency, sales revenue increased by 6% compared to the previous year thanks to a favourable price trend on the local market and the increase in sales volumes of white cement and clinker on the local market (+5.5%), despite the fact that many areas were hit by bad weather conditions in December. In the last months of the year, the authorities moderated controls on environmental profiles and on the national quality standards of plants, controls that had caused white cement plant production stops, especially in the north and centre of the country. However, economic and financial checks on companies in difficulty increased, following alarm due to the drop in the country's economic growth.

Exports, not significant in the period and mainly to Hong Kong, South Korea and Taiwan, dropped following a sales policy prioritising domestic sales, also due to a production capacity saturation. Export prices increased around 4%, above all for the destination mix.

EBITDA, EUR 12.8 million (EUR 11.2 million in 2017), mainly benefited from the favourable trend of domestic market prices and volumes and increased margins, despite the increase in variable costs linked to the higher fuel, raw material and packaging prices. Fixed costs reflect the lower plant maintenance costs.

Investments in 2018 totalled approximately EUR 1.5 million, mainly related to extraordinary plant maintenance.

Malaysia

In Malaysia, the restrained expansion phase of the economy during last year (+4.7% compared to +5.9% of 2017) was mainly due to the negative contribution from exports, negatively affected by the temporary interruption to natural gas flows and the weak prices of exported raw materials. The economic slowdown also involved the construction sector, due to the cancellation or deferral of a number of major infrastructure projects by the government.

In Australia, GDP, still growing in 2018, was boosted by domestic consumption and net exports. The construction investments sector benefited in the second half of the year from the good performance of private non-residential investments and the continuing infrastructural works in the road and energy sectors.

Sales revenue in Malaysia (including Australia) was EUR 44.8 million, up 15% compared to 39.0 million in 2017. White cement and clinker sales volumes increased by 6% overall compared to the previous year. Cement volumes on the domestic market were in line with 2017 despite the bad weather. Cement and clinker exports rose by about 6.5%, with an increase in the proportion of cement volumes in Vietnam, South Korea, the Philippines, Cambodia and Japan above all and a reduction in clinker sales in Australia, where the construction market is showing signs of weakness. Clinker and cement exports were down (about 6%) due to the increase in freight prices, the country mix and depreciation of the Australian and Singapore dollars. Conversely, prices on the domestic market showed a consistent increase of about 7%, due also to inflation.

The EBITDA dropped (from EUR 7.9 million to EUR 6.7 million) compared to 2017 because of lower prices on foreign markets due to the general strengthening of the Malaysian ringgit against the Australian and Singapore dollars, higher fuel and raw material costs, higher fixed production costs (personnel and other costs), only partly offset by the positive effect of greater sales volumes on exports and savings on maintenance which were exceptionally high in 2017.

In 2018, investments in Malaysia totalled approximately EUR 3.6 million, for extraordinary plant and quarry maintenance and the increased clinker storage capacity at the port of Lumut (approximately EUR 0.8 million).

Italy

(EUR'000)	2018	2017	Change %
Revenue from sales	78,023	35,837	117.7%
EBITDA	2,598	(1,354)	291.9%
EBITDA Margin %	*3.3%*	*-3.8%*	
Investments	570	4,351	

Following the sale of the Italian industrial assets, the area only includes the parent Cementir Holding SpA, the trading company Spartan Hive SpA and other minor companies.
The increase in sales revenue and EBITDA can be attributed to the trading company Spartan Hive, which markets finished products (cement and clinker) and fuel to both group companies and third-party customers.

INVESTMENTS

In 2018, investments totalled about EUR 66.7 million; of this, EUR 50.2 million was attributable to the cement sector, EUR 10.5 million to ready-mixed concrete, EUR 2.5 million to aggregates, EUR 2.6 million to waste management and EUR 0.8 million to other activities.
The breakdown by asset class shows that EUR 62.7 million was invested in property, plant and equipment, while EUR 4 million was invested in intangible assets.

RISKS AND UNCERTAINTIES

Risk management

The company believes that adequate management of business risks is essential for the achievement of corporate goals and for increasing the value of the company. For this purpose, the Cementir Group has defined guidelines for the identification, assessment and management of the main business risks, through a policy implemented in all group companies. In this way, it has established a consistent method for managing risk across the Group by ensuring that:

- significant risks are identified, understood and visible to management throughout the Group, as well as to the Board of Directors;
- these risks are assessed by identifying their impact and their probability according to standard and uniform criteria;
- reasonable measures are taken – including in terms of the cost/benefit ratio – to control risks that could threaten the organisation's assets, ability to generate profits or the achievement of operational objectives.

Risk management roles and responsibilities have been defined, starting from the company's Board of Directors which defines the strategy, policy and risk appetite, supported by the Control and Risks Committee, and involving the management of the group companies, responsible for risk management within their areas of responsibility.

Following reorganisation of the Legal and Internal Audit functions, the Internal Audit function was made responsible for developing and maintaining the risk management system, for coordinating risk management activities at group level and for reporting to management and the Board of Directors of group companies.
Methods were recently reviewed to align them with international best practices for risk management activities (Enterprise Risk Management – Integrated framework), guaranteeing greater detail in company and group risks and integration with the results of audit activities. That method is expressed through an iterative process with the following stages:

- Risk identification: risk identification is based on a dual approach; “top down” (risks identified based on best practices and on evidence emerging during Internal Audit activities) and “bottom up” (the head of each area notifies specific risks that could be an obstacle to achieving targets set for his/her activities);
- Risk assessment: for each risk identified, management expresses an assessment of inherent risk levels (with no controls/mitigation actions), in terms of likelihood and impact on the business, using a five-level scoring system. As regards the impact, three parameters are considered: economic (quantitative), operational (qualitative) and reputational (qualitative);
- Identification and assessment of existing control adequacy: for each risk detected, identifying, with management, all controls/actions currently in force to mitigate the risk;
- Residual risk assessment: considering single controls implemented for each risk and relative adequacy, the residual risk is calculated by applying a uniform calculation method to all group companies;
- Identification of additional actions: if the residual risk is higher than the risk appetite level defined by management, further actions are agreed with management to mitigate the risk and contain it within acceptable levels. Actions are taken promptly and within budget levels set, in order to effectively contribute to mitigating the risk;
- Reporting: reporting at company and group level, highlighting the main risks and actions taken by management to reduce risks to acceptable levels;
- Monitoring: the following are reviewed periodically: assessment of existing risks, assessment parameters and new risks can be identified, if needed.

Internal Audit follows up on implementation of actions established by management to mitigate risks.
The main strategic and operational risks to which the Group is exposed are set out below.

Risk of loss of market share and/or margin

This risk relates to competitive dynamics and, in some geographical markets, may be combined with an economic downturn. To mitigate this risk, the group companies analyse the relevant markets and plan initiatives to improve their ability to interpret market dynamics and trends, improving the services offered to customers.

Energy risk

The cost of energy factors and in particular of petroleum coke, which accounts for a significant portion of the Group's variable production costs, may be subject to significant fluctuations. There is also a theoretical risk of the unavailability of fuel. The Group carefully monitors energy market trends and inventories of the various goods needed for production. It also has relations with various suppliers and continuously searches for the best supply conditions to meet its needs.

Risk relative to licences and operating permits

This risk is related both to future renewals and to the possible increase in the costs of existing licences. The risk is mitigated through careful monitoring of permits and licenses and by evaluating alternative permits and/or supplies, taking suitable decisions on a case-by-case basis.

Risk of unavailability of raw materials

Production of cement and ready-mixed concrete requires use of raw materials like limestone, clay, aggregates and fly ash. To mitigate this risk, we make the necessary contractual arrangements with suppliers to ensure adequate supply.

Risks connected to climate change

The cement production process is associated with environmental impacts in terms of atmospheric emissions, mainly carbon dioxide, dust and nitrogen and sulphur oxides. In European countries where the Group operates, there is a risk posed by governmental decisions on emissions and on availability and fluctuation in the price of CO_2 emission allowances, especially in the medium to long term. To mitigate these risks, the Group constantly monitors emissions and compliance with regulations, planning the availability of CO_2 emission allowances. The actions taken by the Group to manage and mitigate the risks connected to climate change are set out in the next section Innovation, Research and Development.

Health and safety risks

This relates to the risk of accidents involving people working in group facilities. The Group monitors workers' safety performance through specific indicators and takes actions to reduce this risk, such as targeted investments as well as safety training and information. Details of those actions and the safety performance are provided in the Non-Financial Statement.

Risk of loss of key personnel

Risk of not being able to guarantee the rapid coverage of key positions within the Group. The Group systematically monitors that risk through an internal succession planning process.

Compliance risks

These are risks related to compliance with applicable regulations (GDPR, anti-trust, anti-corruption and Legislative Decree 231/2001). With respect to those risks, the Legal Department ensures implementation of targeted programs with guidelines, procedures and training to guarantee compliance with the regulations. The Organisation and Control Models required under Legislative Decree 231/2001 are periodically updated. The Internal Audit function carries out specific audits on compliance with regulations.

Financial risks

When performing its activities, the Cementir Holding Group is exposed to financial risks connected to its operations; it is especially exposed to credit, liquidity and market risks. Financial risks are managed according to strict organisational procedures, which govern their management and apply to all transactions that give rise to financial assets/liabilities or trade receivables/payables.
At 31 December 2018, the Group's maximum exposure to credit risk totalled EUR 163.6 million, consisting of the carrying amount of trade receivables recognised in the statement of financial position (EUR 160.6 million in 2017). This credit risk is mitigated through careful assessment procedures on granting lines of credit to individual clients and the fact that there are no significant exposures due to concentration of positions.
The Group is exposed to liquidity risk in connection with the availability of funding and its access to credit markets and financial instruments in general. This risk is managed by the Group by continuously monitoring expected cash flows, available credit lines, repayment plans for existing loans, available liquidity and any funding requirements of subsidiaries, in order to identify the best ways to ensure the most efficient management of financial resources.
Market risk mainly concerns fluctuations in currency and interest rates.
As the group companies operate on an international scale, they are structurally exposed to currency risk on cash flows generated by operating activities and financing/deposit activities in currencies other than the functional currency. More specifically, the cement sector is exposed to exchange risks for both revenues from exports of products in currencies other than those used to draw up the financial statements of subsidiaries, and costs of purchasing solid fuels usually determined on international markets in US dollars. The ready-mixed concrete sector is less exposed, because both revenue and costs are normally in local currency. The Group assesses the natural hedging of cash flows and financing for these currency risks and enters into contracts for hedging purposes.
The strong depreciation of the Turkish lira in the second half of 2018 had a negative impact on the results of the subsidiary Cimentas.
Moreover, the Group is exposed to the interest rate fluctuation risk, despite the fact that financial liabilities at 31 December 2018 amount to EUR 488.9 million, down compared to EUR 758.9 million at 31 December

2017. Having thoroughly assessed the level of rates expected and debt reduction timing based on cash forecasts, interest rate swap contracts are implemented to partly hedge the risk for a total amount of EUR 210 million.

Key uncertainties and going concern

In addition to that reported in the section on business risks, the Group has the financial resources and adequate credit lines to carry on its business and is not exposed to uncertainties that cast substantial doubt on its ability to continue as a going concern.

INNOVATION, QUALITY, RESEARCH AND DEVELOPMENT

Research and Quality Centres

All innovation, research and development activities are supported by the Research and Quality Centre (RQC), located in Aalborg. The centre relies on experts in cement chemistry, mineralogy, ready-mixed concrete and sustainability and uses cutting edge equipment for chemical and mineralogical analysis and tests on cement and ready-mixed concrete.

In addition to research, the Research and Quality Centre (RQC) provides customers with support for technology for the ready-mixed concrete sector. Customer support helps optimise their products and solve production problems.

The RQC is the Group's central quality facility. Its activities consist of monitoring the product quality of cement works, contributing to keeping product quality constant and at a high level, and analysing raw materials and products that enable ongoing improvement of products and production processes. The RQC experts assist sales personnel globally to provide highly competent support to Group customers. In that way, research and quality competences help supply customers with high-value products and services.

Innovation, Research and Development

The areas of most interest in 2018 were:

- FUTURECEM: cement of the future, with a low CO_2 content
- InWhite - White Cement Innovation
- Sustainable cement production

FUTURECEM is a patented technology based on limestone and calcinated clay, developed by the Group. The combination of limestone and calcinated clay in FUTURECEM can replace a significant quantity of clinker in cement. Clinker is an interim product that is produced at high temperatures in cement kilns. Hence, replacing clinker with the combination of limestone and calcinated clay means significant reductions in CO_2. For over 10 years, research and development activities have proved that FUTURECEM cement can be used to produce ready-mixed concrete with excellent resistance and duration. In the project Green Transformation of Cement and Concrete Production, FUTURECEM cement was tested in production on an industrial scale of ready-mixed concrete and used to build two road and railway bridges. The project is the result of the collaboration between the group companies, Aalborg Portland and Unicon, other ready-mixed concrete producers, education and research institutes and third party experts.

In white cement, new high-value products are developed in the InWhite innovation programme. An important result of InWhite was the launch of Aalborg EXTREME Light 120. This product is a specialised binder for high-performance ready-mixed concrete (UHPC). The product was tested for interested customers with good results. Aalborg EXTREME Light 120 is based on FUTURECEM technology, which enables creation of an easy-to-use, high performance binder, perfect for producing a wide range of high-value products.

Research and development activities were carried out with the University of Aalborg to develop co-operation between the Group's industrial structures and the surrounding area; in this respect, the intention is to further develop synergies between the Aalborg Portland cement works and the town of Aalborg. The research documented the benefit, for the reduction of CO_2 emissions, of the increased recovery of heat from cement production, to be used in the district heating of the town of Aalborg. This technology is unique in the cement sector and will contribute to the ambitious CO_2 reduction targets of Aalborg. Other activities include improving the use of alternative fuels and development of collection solutions in collaboration with customers.

Products are being developed continuously in the Group's regional organisations, to generate new types of cement and ready-made concrete. The objective is to continuously improve the product portfolio to ensure they are suited to market needs and provide added value to customers.

Quality

The Group's quality system is based on identification of those parameters considered fundamental to meeting the needs of customers. Thanks to close collaboration with customers themselves, we are able to identify those key assets that guarantee an excellent, consistent product performance. The quality system enables us to connect that performance to production's quality targets, while creating a consistent, economically advantageous product.

The quality system is based on close co-operation between all the organisation's main areas. Total quality and product strategy are defined at Corporate level. Regional Management, which includes Sales, Production and Quality, defines the general goal and the product portfolio. Compliance with achieving goals in daily operations is controlled by each single plant. The Group Research and Quality Centre offers continual support to guarantee and develop product quality and performance.

IT SYSTEMS

In 2018, the Information Technology department consolidated its organisation by implementing the IT structure based on centralisation of functional responsibilities and decreasing regional IT coordination. The department means to use the pool of global resources to manage the portfolio of local and Group initiatives, to support the first year of the 2018-2020 IT Business Plan.

During the year, IT activities were mainly linked to changes to the Group's scope, concluding the programme to integrate CCB in the first four months, and launching activities to integrate Lehigh White from both the application and infrastructural points of view. For all of 2018, the Cementir IT function also guaranteed the support needed, regulated by agreements in force between the parties, to the in-scope Italian companies sold at the end of 2017. In the second half of the year, the global SAP application support contract was extended to the companies in the new scope, service time brackets were increased to respond to the Asian and North American time zones and SLAs were increased on response times.

In all initiatives linked to the scope of application, the Group pursued the founding principle of the IT business plan, whose common denominator is the progressive rationalisation of applications used and use of SAP as the central element to model Group processes; as well as the selection of a limited number of extra-SAP applications to support internal best practices to complete coverage needed to perform and develop business.

During the year, special attention and commitment were dedicated to developing Business Intelligence where, exploiting the potential of Tableau and the Group portal "Vizion", several group level surveys were created and published on production, deliveries and quality, together with numerous reports and detailed KPIs, mainly for plants operating in the ready-mixed concrete sector.

Other significant interesting projects for the Group include adjustment to the IFRS 16 for the HFM consolidated platform, introduction of a new software for the digital management of Board of Directors' meetings and the birth of the Group Project Portfolio Platform Mosaic.

As regards infrastructure, initiatives have been launched and, in some cases, completed to improve the security and performance of the systems and networks, both at user-level and at Data Centers. A programme was launched to review technology connecting the Group's offices in order to improve its efficiency and flexibility of use, in line with actual requirements.

Migration to the Microsoft Office 365 platform was completed for over 1,800 users. This process has not only updated the versions of the Office software in use, consequently providing access to more advanced features, but has also enabled the roll-out of a system for video-conferencing, messaging and general intra- and extra-Group communication that is all based on the same technology, with the primary aim of supporting the ability to work as "One Group", even from geographically distant locations. On this note, mention should be made of the introduction of a single, global user Helpdesk system to facilitate and exploit IT skills throughout the area.

The first multi-year Cyber Security program actions were completed. An assessment was carried out to highlight the vulnerability of the operating systems and, more generally, of software used. A security patch distribution system was implemented for some of the main programs, and most of the laptops were equipped with a content encrypting system to prevent information theft. An action program called "Security Foundation" was studied to guarantee basic security to the Group's extended scope (also including devices and information operating remotely for the company). As part of Data Center management, research was carried out for a solution that could consolidate and standardise the Group's different Data Centers, repositioning them in a modern, scalable solution whose strong point is use of the cloud world. As part of that same activity, possible partners were selected to implement the solution, to take place in 2019.

HEALTH, SAFETY AND ENVIRONMENT

Health and safety

For some time now, Cementir has been focussed on full commitment to the safety of its employees and collaborators, to create a safety culture and an approach to the subject shared by the entire Group. In particular, the Group's Technical/Industrial area (Group Industrial Centre) has included Safety in its governance by monitoring and reporting injuries, discussed and shared during periodical staff and plant meetings. A work group has also been set up *ad hoc* to create a Management System to standardise safety actions and best practices.

Major investments in instruments and professional training are allocated regularly to create a solid safety culture. During the year, classes and specific training moments are held on health and safety. These are joined by *ad hoc* sessions on the use of new safety machinery and devices, to guarantee a high technological level and correct plant use and operations.
The main group plants have been internationally certified OHSAS 18001 by external accredited bodies: in 2018 nine plants to this certification, of which six were in the cement sector and three were in the waste treatment one.

Environment

The Group’s goal is the ongoing improvement of its environmental performances for the sustainable growth of its business activities. The control of energy consumption, the increase in use of alternative fuels in the production process and the reduction of greenhouse gases by using the best technologies are just some of the goals pursued by the Group to continue its economic growth based on sustainable, long-term goals.

In 2018, there were 12 plants certified UNI EN ISO 14001, seven of which were in the cement sector, two in ready-mixed concrete and three in waste treatment.
This attention to environmental impacts entails the following facts:

- 65% of water used in the cement production plants is reused;
- 11,8% alternative raw materials used in the mix for cement production;
- 20% alternative fuels used for thermal energy production in place of non-renewable fossil fuels;
- 105,000 tons of Refuse-Derived Fuel (RDF) and Solid Recovered Fuel (SRF) generated by Group waste treatment facilities in 2018.

HUMAN RESOURCES

In keeping with what was started the previous year, the Group continued working to make organisation structures operating all over the world more efficient. The organisational model established is based on a managerial platform that supports and facilitates the process of integrating the various structures and enables the various areas to be managed in a coordinated way, in compliance with the specific business and market aspects of each group company.

Changes in workforce and personnel costs

At 31 December 2018, the Group had 3,083 employees, up by 62 units compared to the end of 2017. That change is essentially due to LWCC becoming part of the Group (135 employees) and to the sale of some Waste management BU plants in the United Kingdom.

In line with the employment trend expected for 2018, there was an increase of EUR 1.58 million in personnel expense compared to 2017, equal to 0.9%. LWCC becoming part of the Group on29 March 2018 had an impact of about EUR 9 million. Moreover, considering the inflationary trend of personnel expense in the various countries and the effects of the sale of assets in the United Kingdom, there was a drop in personnel expense in Turkey and Egypt due to the depreciation of local currencies.

Organisation

In 2018, the Group finalised the growth plan of its organisational strategy, launched during the previous year; in order to make its structure better suited to achieving the targets set in the 2018-2020 Business Plan and to respond more effectively to market trends and corporate changes, in particular those connected to M&A initiatives.

The plan to integrate businesses acquired in previous years was implemented. The Group concentrated on coordinating and streamlining its organisation model which – at 31 December 2018 – has five territorial areas: Nordic & Baltic, North America, Asia Pacific, Eastern Mediterranean and Belgium. Rome is the registered office of the holding company governing the above-mentioned regions and operating companies.

During the year, the Group chose to diversify management of the companies operating in the Eastern Mediterranean area by setting up two distinct business units, Turkey and Egypt. At organisational and managerial level, that diversification enables more efficient management of local businesses, in the light of varied, evolving market scenarios.

The Group's Chief Operating Officer is entrusted with control of the business's main operational levers, permitting the Group's Chief Executive Officer to focus on strategic impact activities for the business such as Mergers & Acquisitions. At management level, important improvement projects were finalised. These include implementing a system to monitor strategic projects (Group portfolio) including process, supply chain and sales initiatives. Lastly, the planning and budget model was standardised and optimised based on periodical forecasts and strategic alignment meetings at group level.

Development and Recruitment

During 2018, the internal and external recruiting process was refined, operating in an integrated way with the Regions and operating companies to guarantee effective application of the guidelines, systematic use of online diagnostics for internal and external searches concerning the Group's important managerial positions. Moreover, use of new recruiting channels was promoted to identify - including outside the local context - professionals of interest to the Group with more international backgrounds and a willingness to work in multi-cultural contexts.

In order to accompany the newly hired person during his/her first period of company life, the Group not only introduced a structured onboarding plan, but also a specific Corporate training programme in e-learning and global communication on Intranet, announcing the person's arrival and briefly describing his/her professional background.

Work was also done to strengthen certain partnerships with important universities and business schools in order to insert and develop young talents, starting by including them in company areas as curricular and non-curricular interns and professionalised juniors.

Faced with a widespread need to develop and update skills, to integrate the varied know-how and preserve and spread knowledge in the organisation, at the start of 2018 - having obtained strong top management sponsorship - the concept of what was to become the Group's Cementir Academy was developed. Downstream of presenting the project during the Annual Group Meeting, several training programmes were launched for the Group. Some required important co-participation with developing training contents.

Of these we would like to recall the most significant:

- online courses on Corporate subjects for the entire Group – in the first phase, all Group management and Corporate personnel - focussed on subjects such as the Code of Ethics, the 231 model, the Fraud & Whistleblowing Management system, the Leadership Model and Group Values;
- a Management Education programme ("LEAD PROGRAMME") for a representative group of senior leaders from all over the world, developed in partnership with one of the most prestigious international business schools;
- a two-year technical training programme including several online and classroom training paths, aimed mainly at personnel operating in the Aalborg cement plant and open to colleagues from other group production sites interested in this training;
- the "EvOCEM" (Evolved Office for Cementir) training course, to increase the knowledge of new computer tools, which involved – on a voluntary basis – about twenty employees spread out geographically who were certified "EvOCEM Ambassadors" and internal trainers. In 2019, training will involve about 50% of Group personnel and will be managed directly by the ambassadors.

In collaboration with the Technical Area, a tool to be used to map the organisation and personnel operating in the group plants was developed. In particular, the project involved preparatory work to map key organisational roles, levels expected for the technical demands of each key role, identification of skills and creation of a matrix to identity the training priorities and recommend other management and development initiatives. Some pilot projects were implemented towards the end of the year in Turkey. After that, all the

Group's cement plants will be mapped, with close collaboration between Human Resources and Line personnel.
During 2018, work continued on the Group's Succession Planning process for critical positions and to use the replacement tables where necessary. Definition of some KPIs and measurement of the results of the first mapping of internal successors highlighted the potential risks and directed some personnel development decisions (e.g. Lead Program, coaching, international mobility programmes).

Remuneration

For the purposes of compliance with the Business Plan, the 2018 Remuneration Policy Guidelines set out challenging performance targets that made it possible to guide, monitor and assess activities related to business oversight and development, which are crucial to the achievement of the objectives of the company's strategic plan.
The managerial population was focussed, short term, on economic and financial management and Group organisational development (“One Group”) or Professional Family goals, representing the priority for 2018. They were declined applying a cascade process in the various countries, in compliance with the different organisational levels, confirming the single short-term group incentive system approach.
Particular attention was paid to setting annual remuneration policies in terms of selectivity and focussing especially on the identification of critical resources, as part of a drive towards improving remuneration positioning, considering the specific conditions of the relevant labour markets, inflation and business prospects.
The remuneration policy guidelines were also oriented long-term, promoting a pegged long-term variable incentive, adopting it selectively but in a more extensive way than the previous year, in order to strengthen top manager participation in improving company performances and pursuing the interest in creating medium/long term value.
The 2018 Remuneration Policy, whose main instruments and objectives are outlined in the Report on Remuneration, remained consistent with the governance model adopted by the Company and with the recommendations of the Code of conduct, in order to attract, motivate and retain staff with a high professional and managerial profile and to align management interests with the main objective of creating value for shareholders over the medium/long term.

Internal communication

Following introduction of the new Group Identity that redefined the principles and contents of its Vision, Mission, Values and Model of Competences common to all company employees, the Group completed the scheduled communication plan. All Group personnel, in offices and production plants, took part in plenary meetings, classes and *ad hoc* information sessions and employees were informed through lots of communication materials, both visual and online in all the languages spoken in the Group. Lastly, a survey was prepared with about half the Group's population taking part. This highlighted specific areas for intervention and improvement actions connected to the values and competences model. The Group also planned to review its own internal communication plan for the next year as an instrument to be used to improve the company climate and employee involvement. It was therefore decided to conduct a global climate Survey through which the company will give its employees a voice. That will lead to the preparation of specific action plans.

Social Dialogue

The Cementir Group maintains an ongoing, structured dialogue with the representatives of the European workers in its companies, in compliance with EU regulations and the layout adopted by the European Company Committee (CAE) of the Cementir Group. During the year, management informed and consulted employees and trade unions on transnational issues concerning the status of its activities and other significant decisions that the Group has taken in relation to the business and its employees. Representatives from Belgium, Denmark and Norway took part in the meetings held in Rome.

OTHER INFORMATION

Alternative performance indicators

The Cementir Holding Group used some alternative performance indicators to enable better assessment of the performance of economic management and the capital and financial situation. In line with what is established in the Consob Communication 92543/2015 and ESMA/2015/1415 guidelines, here below please find the meaning and contents of those indicators.

- EBITDA: is an indicator of operating performance calculated by adding together "EBIT" and "Amortisation, depreciation, impairment losses and provisions";
- Net financial debt is a financial structure indicator and is calculated, in compliance with Consob Communication 6064293/2006, with the sum of the items:
  - current financial assets;
  - cash and cash equivalents;
  - current and non-current financial liabilities.
- Net capital invested: is calculated by the overall amount of non-financial assets, net of non-financial liabilities.

Litigation

Note that there are three distinct proceedings where Cementir Holding SpA, though not the party in question, is responsible for managing defence and could abstractly have to pay indemnity obligations, in agreements with Italcementi SpA for the sale of all shares of Cementir Italia S.p.A (now called Cemitaly SpA by the new owner), Cementir Sacci SpA (now Italsacci SpA) and Betontir SpA, which became effective on 2 January 2018.

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 thousand. 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.

On 6 October 2017, Cementir Italia submitted an appeal 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 Cemitaly. On 11 November 2017, the Regional Administrative Court of Lazio did not grant suspension of the decision and set the appeal hearing for June 2018.

With a ruling published on 30 July 2018, the Lazio TAR fully rejected the appeal, confirming the validity of the sanction.

With a further appeal notified on 5 October 2018, Cemitaly requested that the Council of State cancel the sentence in full and the sanction imposed or, alternatively, refer a question for a preliminary ruling to the Court, that is partial cancellation of the sentence and the measure to the extent that they acknowledge Cemitaly having taken part in the disputed agreement and – because of that – apply the sanction imposed or, as a further alternative, partial cancellation of the sentence and the measure due to an erroneous quantification of the sanction. In acceptance of a motion presented by the Attorney General at the public hearing of 15 November 2018, the case was postponed to be heard on 7 February 2019 and hence was taken under advisement.

Lastly, on 21 March 2019 the decision of the Council of State was published rejecting the appeal of Cemitaly, considering it unfounded as explained in the statement of reasons.

Tax proceedings against Cemitaly (Eco-tax)

In 2015, the Italian Finance Police (Guardia di Finanza) in Taranto and the Taranto Provincial Police Unit began a tax audit on Cemitaly at the 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, the Apulia 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.
Cemitaly has appealed to the Provincial Tax Commission of Bari against this decision, requesting its suspension and subsequent cancellation. The company retains that its slag is not waste but rather a by-product and in any case is not waste to be sent to landfill and hence is not subject to tax, as the material can be perfectly well recovered and used in the cement production cycle; in addition, disposal of slag is not an instance of illegal waste disposal.
On 28 June 2017, the Provincial Tax Commission of Bari accepted the request to suspend the disputed decision and set the hearing to discuss the matter for 13 December 2017.
With the decision of 14 December 2017, the Provincial Tax Commission of Bari rejected the appeal of the company. Cemitaly considers the decision to be both factually and legally incorrect. As proof of this, the offending "waste" has in the meantime been fully removed from the area of the Taranto plant and entirely recovered.
On these bases, the company has appealed against the first level sentence before the Apulia Regional Tax Commission. The appeal has been assigned no. 2888/18 general register and is pending waiting for the hearing to be fixed.
Moreover, to avoid a dispute with an objectively uncertain possible result, the company has informed the Apulia Region of its willingness to settle the dispute through Legal Conciliation pursuant to Article 48 of Legislative Decree 546 of 31 December 1992.

Preventive seizure of specific areas and facilities in the Cemitaly Taranto plant

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

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

Cemitaly's involvement concerns the administrative offences set out in Articles 5, 6 and 25-*undecies*, Paragraph 2, Letter F) of Legislative Decree 231/2001 with reference to Article 260 of 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 plant in Taranto.
According to investigator allegations, (i) the fly ash that Cemitaly 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. Cemitaly'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 Cemitaly should be qualified and 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 deferrisation, both of which are outside “normal industrial practice” for “pozzolana cement”.
Both allegations appear to be completely without foundation.
The supply of fly ash ceased in early 2016 and there are therefore no remaining quantities of cement produced using fly ash from Enel Produzione.
Regarding the slag supplied by Ilva, “the normal industrial practice” for the use of slag (which is different to pozzolana) in the production of cement includes both screening and deferrisation, both expressly authorised in the Integrated Environmental Authorisation (AIA) of the Taranto plant.
With a series of subsequent measures, the judge - at the request of the prosecutor - launched a special enquiry into the above events.
At the same time, the judge "released" a series of rights of the aforementioned company that were originally prevented by the seizure, including the right to sell the slag cement stored at the site on the date of seizure; the right to use the slag stored at its premises; the right to procure slag from third parties; the right to use the areas for storing slag, the iron remover and the internal conveyor belts.
With the report deposited on 16 July 2018, experts appointed by the Court found (i) that the blast-furnace slag supplied by Ilva qualifies, for all purposes, is a by-product; (Ii) the fly ash that Cemitaly acquired from Enel Produzione, originating from the power plant in Brindisi, is materially compliant with laws applicable.
On 23 July 2018, the company presented a formal appeal to release the Taranto production plant, motivating it with the accusations being manifestly unfounded, proven by the expert’s report. With a ruling of 31 July 2018, the Lecce Public Prosecutor ordered the release of all assets seized. The Judge therefore fixed the hearing for the technical report discussion for 22 January 2019. On that date the case was postponed to 15 April 2019.

Non-Financial Statement

In compliance with Legislative Decree 254/2016, the Group has integrated the financial reporting with a Non-Financial Statement prepared as a Sustainability Report. That document is made available to the public on the company website www.cementirholding.it, at the same time as the 2018 Annual Financial Report of which this director’s report is an integral part.

PERFORMANCE OF THE PARENT

The following table shows Cementir Holding SpA's key financial statement figures at 31 December 2018:

Earnings

(EUR'000)	2018	2017	Change %
REVENUE FROM SALES AND SERVICES	**26,610**	**27,792**	**-4.3%**
Other revenue	2,656	1,848	43.7%
TOTAL OPERATING REVENUE	**29,266**	**29,640**	**-1.3%**
Personnel costs	(13,374)	(15,615)	-14.4%
Other operating costs	(17,120)	(12,664)	35.2%
EBITDA	**(1,228)**	**1,361**	**-190.2%**
Amortisation, depreciation, impairment losses and provisions	(12,316)	(1,543)	698.2%
EBIT	**(13,544)**	**(182)**	**n.s.**
Financial income	26,633	18,904	40.9%
Financial expense	(17,974)	(141,430)	-87.3%
NET FINANCIAL INCOME (EXPENSE)	**8,659**	**(122,526)**	**107.1%**
LOSS BEFORE TAXES	**(4,885)**	**(122,708)**	**96.0%**
Income taxes	(468)	(535)	-12.5%
LOSS FOR THE YEAR	**(5,353)**	**(123,243)**	**95.7%**

Revenue from sales and services refers to consultancy services provided to subsidiaries and royalties on their use of the trademark. The reduction of 4.3% on the previous year was due to less services provided during 2018.

EBITDA, negative for EUR 1.2 million, suffered from the increase in operating costs mainly due to local and administrative taxes and non-deductible VAT of about EUR 7 million, partly absorbed by the reduction in personnel costs, for the smaller average workforce, and for non-recurring expenses related to contract terminations in 2017.

Amortisation, depreciation, impairment losses and provisions, of EUR 12.3 million (1.5 million in 2017) include accruals to provisions for risks and charges of EUR 10.5 million for other operating risks, mainly due to some clauses contained in the transfer agreement of Italian assets.

Net financial income amounted to EUR 8.7 million (net expense of EUR 122.5 million in 2017) due to financial income linked to the mark-to-market measurement of derivatives used for hedging purposes. The 2017 net financial expense was influenced by the impairment loss of EUR 121.6 million on the investment in Cementir Italia SpA sold at the start of 2018 and that, net of this non-recurring item, the net financial expense in 2017 would have been EUR 0.9 million.

After income taxes of EUR 0.5 million (EUR 0.5 million in 2017), the loss for the year was EUR 5.4 million (loss of EUR 123.2 million in 2017).

The Company's net financial debt at 31 December 2018 amounted to EUR 161.2 million (EUR 281.8 million at 31 December 2017), down by EUR 120.6 million compared to the previous year end. This change is due to the sale of the Cementir Italia Group at the beginning of the year for EUR 315 million and the full repayment (EUR 194.7 million) of the Facility A credit line during the year. In addition, dividends totalling EUR 15.9 million were distributed to shareholders.

In compliance with Consob Communication 6064293 of 28 July 2006, the loan to the subsidiary Aalborg Portland Holding A/S – categorised as a non-current financial asset – has not been included in the calculation of the Company's net financial debt.

If the loan had been included, the net financial debt of Cementir Holding SpA would have been EUR 9.8 million (as presented below).

(EUR'000)	**31.12.2018**	**31.12.2017**
Current financial assets	156,377	255,597
Cash and cash equivalents	51,907	4,021
Current financial liabilities	(41,352)	(36,797)
Non-current financial liabilities	(328,110)	(504,602)
Net financial debt (as per Consob Communication)	**(161,178)**	**(281,781)**
Non-current financial assets	151,384	179,784
Total net financial debt	**(9,794)**	**(101,997)**

For an in-depth analysis of performance and financial position, please refer to the notes to the separate financial statements of Cementir Holding SpA.

Financial indicators

Cementir Holding SpA does not have operations. Therefore, its financial indicators are of limited relevance when providing a brief assessment of the Parent's performance.

As for the equity indicators, the Equity Ratio shown in the table below shows the financial solidity of the Parent.

FINANCIAL INDICATORS	2018	2017	COMPOSITION
Equity Ratio	44.49%	36.45%	Equity/Total Assets

Other information

With reference to a dispute between the Turkish stock exchange's regulatory and supervisory body (Capital Market Board – CMB) and the Turkish company Cimentas AS, indirect subsidiary of Cementir Holding SpA, over the intragroup sale price of an equity investment in 2009, in which the CMB called on Cimentas AS to demand that Cementir Holding SpA and any other companies involved in the Cementir Group pay back around 100 million Turkish Lira (now around EUR 16 million), the request for a suspension of the decision challenged by Cimentas, accepted by Ankara Administrative Court on 26 May 2015, was subsequently rejected by Ankara Regional Administrative Court on 6 August 2015 for entirely procedural reasons. A decision on the action for dismissal brought by Cimentas AS is still pending on merit. On 29 January 2017, CMB served a summons to Cementir Holding to appear before the Court of İzmir, requesting that the company be ordered to pay to Cimentas AS an amount provisionally set at approximately 1 million Turkish lira. Cementir Holding SpA duly filed an appearance, arguing the total baselessness of the plaintiff's argument, both procedurally and on merit, and in any case requesting suspension of the civil case until the administrative action is settled. In the unlikely event that this administrative action is rejected, the issue would in any case solely be relevant between companies of the Cementir Group.

The main reason presented by Cimentas AS for disputing the request made by CMB is related to the fiscal dispute entered into for the same transaction. Cimentas AS had won at first level and, on appeal, the tax authority, on 15 November 2018, confirmed the decision of the first level body, with presumable positive effects on the civil dispute with CMB.

Financial risk management

Cementir Holding SpA is exposed to financial risks in relation to its business activities, in particular, credit risk, liquidity risk and market risk.

In any case, at 31 December 2018, the credit risk Cementir Holding SpA is exposed to is not significant as its receivables are due mainly from subsidiaries for services provided to them.

The parent is exposed to liquidity risk in connection with the availability of funding and its access to credit markets and financial instruments in general. Given its strong financial position, this risk is not material. Nonetheless, Cementir Holding SpA manages liquidity risk by carefully monitoring cash flows and funding requirements. It has more than adequate credit facilities to meet any unforeseen requirements, including at group level.

Market risk mainly concerns fluctuations in currency and interest rates.

Cementir Holding SpA is directly exposed to currency risk to a limited degree in relation to loans and deposits held in foreign currency. The Parent constantly monitors these risks so as to assess any impact in advance and take any necessary mitigating actions.

Finally, Cementir Holding SpA has floating-rate bank loans and borrowings and is exposed to the risk of fluctuations in interest rates. This risk is considered moderate as the Parent's loans are currently only in euros and the medium- to long-term interest rate curve is not steep. Having thoroughly assessed the level of rates expected and debt reduction timing based on cash forecasts, interest rate swap contracts are implemented to partly hedge the risk.

RELATED-PARTY TRANSACTIONS

With regard to related-party transactions, as defined by IAS 24, the Group did not conduct any atypical and/or unusual transactions. All business and financial dealings with related parties were conducted on terms equivalent to those that prevail in arm's length transactions.
It should be noted the existence of not-bearing interest and revocable loans to the subsidiary Alfacem Srl. The conditions of such loans were replaced by interest-bearing and expiring loans starting from 1 January 2019.

The Group did not conduct any significant or material transactions as defined for the purposes of Consob Regulation 17221 of 12 March 2010 concerning related-party transactions. For a specific analysis of transactions with related parties, please refer to note 34 in the consolidated financial statements and note 30 in the separate financial statements for the year.

TREASURY SHARES

As at 31 December 2018, the parent and its subsidiaries did not hold, either directly or indirectly, shares or units of the ultimate parent. They did not purchase or sell such shares during the year.

RECONCILIATION OF THE PARENT'S EQUITY AT 31 DECEMBER 2018 AND PROFIT (LOSS) FOR THE YEAR THEN ENDED WITH CONSOLIDATED EQUITY AND PROFIT (LOSS)

(EUR '000)	**Profit (loss) for 2018**	**Equity at 31 December 2018**
Cementir Holding SpA	**(5,353)**	**323,386**
Effect of consolidating subsidiaries	131,497	1,109,212
Effect of equity-accounted investees	1,050	46,322
Change in reserves	-	(471,732)
Other changes	-	(10,042)
Total attributable to the owners of the parent	**127,194**	**997,146**
Total attributable to the non-controlling interests	**8,466**	**131,238**
Cementir Holding group	**135,660**	**1,128,384**

CORPORATE GOVERNANCE

The Cementir Holding SpA corporate governance system is in line with the principles of the Code of conduct for Listed Companies and international best practices.

During 2018, the Shareholders' Meeting of 19 April appointed a new Board of Directors for 2018, 2019 and 2020. Elections were based on candidate slates regularly deposited in the registered office: majority slate no.1 presented by the Shareholder Calt 2004 S.r.l. (owner of a total of 47,860,813 shares amounting to 30.08% of share capital) and minority slate no. 2 presented by a Group of fund management companies and other institutional investors (owner of a total of 2,990,051 shares for 1.87912% of the share capital of Cementir Holding SpA). The Board of Directors now has the following members: Francesco Caltagirone, Alessandro Caltagirone, Azzurra Caltagirone, Edoardo Caltagirone, Saverio Caltagirone, Carlo Carlevaris, Fabio Corsico, Mario Delfini, Veronica De Romanis (Independent Director) and Paolo Di Benedetto (Independent Director), Chiara Mancini, (Independent Director), Roberta Neri (Independent Director), Adriana Lamberto Floristán (Independent Director).

At its meeting on 23 April 2018, after confirming Francesco Caltagirone as Chairman and Chief Executive Officer, Carlo Carlevaris as Deputy Chairman and Paolo Zugaro as General Manager, the board of director also appointed:

1. the Control and Risks Committee consisting of Paolo Di Benedetto (Chairman and independent, non-executive member), Mario Delfini (non-executive member with accounting and financial experience), Veronica De Romanis (independent and non-executive member with accounting and financial experience), Adriana Lamberto Floristán (independent and non-executive member) and Chiara Mancini (independent and non-executive);
2. the Appointment and Remuneration Committee consisting of Paolo Di Benedetto (Chairman and independent, non-executive member), Veronica De Romanis (independent and non-executive member with accounting and financial experience), Chiara Mancini (independent and non-executive member) and Mario Delfini (non-executive member with accounting and financial experience);
3. the Related Parties Committee consisting of Paolo Di Benedetto (Chairman and independent, non-executive member), Chiara Mancini (independent, non-executive member), Adriana Lamberto Floristán (independent, non-executive member) and then integrated through a Board of Directors' resolution of 10 May 2018 by appointment of Veronica De Romanis, independent director with proven experience in accounting and financial matters.

At the same meeting, the Board of Directors checked that the independent directors did in fact meet the requirements to qualify as independent under the Borsa Italiana SpA Code of conduct and other laws in force and confirmed the appointment for 2018 of Massimo Sala, the Chief Financial Officer, as Manager responsible for financial reporting. As the latter's working relationship with the Parent came to an end, with resolution of 20 December 2018, the Board of Directors appointed the Parent's new Chief Financial Officer, Mr Giovanni Luise, as the new Manager responsible for financial reporting until the Board meeting following the shareholders' meeting called to approve the financial statements for 2018.

In addition, in its meeting of 23 April 2018, the Board of Directors also renewed the appointment of Mario Venezia (Chairman), Francesco Paolucci and Franco Doria to the Supervisory Body for the years 2018-2020. The Body is tasked with updating and supervising the implementation of and compliance with the Organisational and Control Model adopted by the Parent on 8 May 2009 in accordance with Italian Legislative Decree 231/2001. Following the resignation of Francesco Paolucci as a member of the Supervisory Body, with resolution of 26 July 2018 the Board of Directors appointed, in replacement, Mr Claudio Gioacchino Maria Criscuolo as the new member of the Supervisory Body.

For more detailed information on the corporate governance system and ownership structure of Cementir Holding SpA, please see the "Corporate Governance and Ownership Report" prepared in accordance with Article 123-*bis* of Italian Legislative Decree 58 of 24 February 1998 and published together with the 2018 Director’s Report. The Corporate Governance and Ownership Report is available on the corporate website www.cementirholding.it, in the section Investor Relations > Corporate Governance.

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

Organisation and Control Model pursuant to Legislative Decree 231/2001

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

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

The Supervisory Body – its members renewed for the years 2018-2020 pursuant to Legislative Decree 231/2001 – has continued its task of updating and supervising the implementation of the Organisational and Control Model adopted by the Parent, availing itself of the support of Internal Audit function for specific actions.

The Model has been updated periodically since 2008 to incorporate the organisational changes affecting the Parent and the Group, as well as regulatory updates (new offences) under Decree 231. The latest version of the model was approved by the Board of Directors of the Parent on 27 July 2017.

Management and coordination

Cementir Holding SpA is not managed or coordinated by another company, as it sets its general and operating strategies independently. In particular, the Board of Directors of Cementir Holding SpA has sole responsibility for reviewing and approving strategic, business and financial plans and for overseeing the suitability of organisational, administrative and accounting structures.

As such, the conditions indicated in Article 16 of Consob Market Regulation 20249/2017 are not applicable.

Exceptions to disclosure obligations of information documents for significant extraordinary transactions

Pursuant to Article 70, Paragraph 8, and Article 71, Paragraph 1-*bis* of Consob Regulations 11971/1999 as amended, on 31 January 2013 the Board of Directors of Cementir Holding SpA resolved to exercise the power to depart from the requirements on the disclosure of the prescribed information documents in the event of significant mergers, de-mergers, capital increases through contributions in kind, acquisitions and disposals.

Protection of personal data

The Parent ensures the protection of personal data in accordance with laws in force.

During 2017, the Parent launched a group project to comply with the "General Data Protection Regulation" that came into force on 25 May 2018. As the result the Company provided itself with internal regulations and the relative operating instruments needed to guarantee regulatory compliance at the date the EU Regulation came into force. In order to guarantee full implementation of regulations and review the system created also following Legislative Decree 101 of 10 August 2018 coming into force on 19 September 2018, Cementir Holding launched another project, still in progress, to update and perfect its privacy policy.

EVENTS AFTER THE REPORTING DATE

No significant facts occurred after the year ended.

BUSINESS OUTLOOK

Activities to integrate LWCC will be completed by the end of the first quarter of 2019.
With the current industrial scope, the Group is expected to reach a consolidated revenue level of about EUR 1.25 billion and an EBITDA of between EUR 250 and EUR 260 million.
Net financial debt at the end of 2019 is expected to be EUR 245 million, including investments for about EUR 70 million.

These forecasts were prepared assuming a further depreciation of the Turkish lira and, however, will need to be reconsidered should there be a further negative evolution in the country's economic performance.
The above amounts include the impact of application of IFRS 16, estimated at about EUR 23 million as a positive impact on EBITDA and about EUR 80 million as an increase in net financial debt.

PROPOSALS FOR THE ALLOCATION OF THE YEAR-END LOSS FOR 2018 OF CEMENTIR HOLDING SPA

The Board of Directors proposes that the shareholders:

AT THEIR ORDINARY MEETING:

- approve the Directors’ report on 2018 and the financial statements as at and for the year ended 31 December 2018;
- to cover the loss for the year of about EUR 5,353,200 for EUR 5,353,200 using goodwill arising on merger reserve.

AT THEIR ORDINARY MEETING:

To pay Shareholders, as a dividend, a total of EUR 22,276,800 for EUR 0.14 for each ordinary share, gross of any taxes, using for the purpose EUR 4,296,171.18 of retained earnings for the years until 31 December 2007, and EUR 17,980,628.82 from goodwill arising on merger reserve, created by income-related reserves allocated in the years ending after 31 December 2007 and until 31 December 2016.

Rome, 7 March 2019

Chairman of the Board of Directors
Francesco Caltagirone, Jr.
(signed on the original)

BLANK PAGE

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

CONSOLIDATED FINANCIAL STATEMENTS

Statement of consolidated financial position *

(EUR'000)	Notes	31 December 2018	31 December 2017
ASSETS			
Intangible assets with a finite useful life	1	223,545	128,462
Intangible assets with an indefinite useful life	2	353,933	346,641
Property, plant and equipment	3	789,500	759,840
Investment property	4	90,152	95,094
Equity-accounted investments	5	3,613	22,470
Other equity investments	6	210	221
Non-current financial assets	9	1,490	2,176
Deferred tax assets	20	46,772	33,778
Other non-current assets	11	7,112	8,296
TOTAL NON-CURRENT ASSETS		**1,516,327**	**1,396,978**
Inventories	7	184,775	126,727
Trade receivables	8	163,553	160,629
Current financial assets	9	840	1,067
Current tax assets	10	9,226	7,060
Other current assets	11	24,888	18,511
Cash and cash equivalents	12	232,614	214,528
TOTAL CURRENT ASSETS		**615,896**	**528,522**
ASSETS HELD FOR SALE		**-**	**431,829**
TOTAL ASSETS		**2,132,223**	**2,357,329**
EQUITY AND LIABILITIES			
Share capital		159,120	159,120
Share premium reserve		35,710	35,710
Other reserves		675,122	689,887
Profit attributable to the owners of the Parent		127,194	71,471
Group equity	13	**997,146**	**956,188**
Reserves attributable to non-controlling interests		122,772	53,775
Profit attributable to non-controlling interests		8,466	5,695
Equity attributable to non-controlling interests	13	**131,238**	**59,470**
TOTAL EQUITY		**1,128,384**	**1,015,658**
Employee benefits	14	31,777	34,598
Non-current provisions	15	27,804	29,426
Non-current financial liabilities	17	461,462	696,090
Deferred tax liabilities	20	145,282	127,544
Other non-current liabilities	19	4,768	5,020
TOTAL NON-CURRENT LIABILITIES		**671,093**	**892,678**
Current provisions	15	15,525	2,869
Trade payables	16	228,209	204,204
Current financial liabilities	17	27,407	62,776
Current tax liabilities	18	13,737	16,420
Other current liabilities	19	47,868	44,850
TOTAL CURRENT LIABILITIES		**332,746**	**331,119**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		**-**	**117,874**
TOTAL LIABILITIES		**1,003,839**	**1,341,671**
TOTAL EQUITY AND LIABILITIES		**2,132,223**	**2,357,329**

* Pursuant to CONSOB Resolution 15519 of 27 July 2006, information about related party transactions is disclosed in the notes to the consolidated financial statements and in the following tables.

Consolidated income statement*

(EUR'000)	Notes	2018	2017
REVENUE	21	**1,196,186**	**1,140,006**
Change in inventories	7	12,378	623
Increase for internal work	22	6,648	7,344
Other operating revenue	22	24,458	22,071
TOTAL OPERATING REVENUE		**1,239,670**	**1,170,044**
Raw material costs	23	(479,283)	(444,161)
Personnel costs	24	(176,326)	(174,748)
Other operating costs	25	(345,557)	(328,438)
TOTAL OPERATING COSTS		**(1,001,166)**	**(947,347)**
EBITDA		**238,504**	**222,697**
Amortisation and depreciation	26	(78,093)	(72,590)
Provisions	26	(4,091)	(3,865)
Impairment losses	26	(3,107)	(5,677)
Total amortisation, depreciation, impairment losses and provisions		(85,291)	(82,132)
EBIT		**153,213**	**140,565**
Share of net profits of equity-accounted investees	27	1,050	4,785
Financial income	27	70,835	13,468
Financial expense	27	(28,145)	(26,916)
Net exchange rate gains (losses)	27	(12,318)	(5,249)
Net financial income (expense)		30,372	(18,697)
NET FINANCIAL INCOME (EXPENSE) AND SHARE OF NET PROFITS OF EQUITY-ACCOUNTED INVESTEES		**31,422**	**(13,912)**
PROFIT BEFORE TAXES		**184,635**	**126,653**
Income taxes	28	(35,866)	(16,393)
PROFIT FROM CONTINUING OPERATIONS		**148,769**	**110,260**
LOSS FROM DISCONTINUED ACTIVITIES	36	**(13,109)**	**(33,094)**
PROFIT FOR THE YEAR		**135,660**	**77,166**
Attributable to:			
Non-controlling interests		8,466	5,695
Owners of the Parent		**127,194**	**71,471**
(EUR)			
Basic earnings per share	29	**0.799**	**0.449**
Diluted earnings per share	29	**0.799**	**0.449**

* Pursuant to CONSOB Resolution 15519 of 27 July 2006, information about related party transactions is disclosed in the notes to the consolidated financial statements and in the following tables.

Consolidated statement of comprehensive income

(EUR'000)	Notes	2018	2017
PROFIT FOR THE YEAR		**135,660**	**77,166**
Other components of comprehensive income:			
Items that will never be reclassified to profit or loss for the year:			
Net actuarial gains (losses) on post-employment benefits	30	396	(3,123)
Taxes recognised in equity	30	194	(226)
Actuarial gains (losses) on post-employment benefits from discontinued operations		-	149
Taxes recognised in equity from discontinued operations		-	(41)
Total items that will never be reclassified to profit or loss		**590**	**(3,241)**
Items that may be reclassified to profit or loss:			
Net exchange rate losses on translation of - foreign operations	30	(64,219)	(91,409)
Net fair value losses on financial instruments	30	(6,775)	(1,598)
Taxes recognised in equity	30	1,246	472
Total items that may be reclassified to profit or loss		**(69,748)**	**(92,535)**
Total other comprehensive expense		**(69,158)**	**(95,776)**
COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR		**66,502**	**(18,610)**
Attributable to:			
Non-controlling interests		13,819	7,862
Owners of the Parent		**52,683**	**(26,472)**

Consolidated statement of changes in equity

(EUR'000)	Share capital	Share premium reserve	Other reserves Legal reserve	Other reserves Translation reserve	Other reserves Other reserves	Profit attributable to the owners of the Parent	Group equity	Profit attributable to non-controlling interests	Reserves attributable to non-controlling interests	Equity attributable to third parties	Total Equity
Equity at 1 January 2017	**159,120**	**35,710**	**31,825**	**(406,706)**	**1,105,478**	**67,270**	**992,697**	**18,079**	**49,527**	**67,606**	**1,060,303**
Allocation of 2016 profit					67,270	(67,270)	-	(18,079)	18,079	-	**-**
Distribution of 2016 dividends					(15,912)		(15,912)		(1,236)	(1,236)	**(17,148)**
Other changes					7,194		7,194		(14,737)	**(14,737)**	**(7,543)**
Total owner transactions	**-**	**-**	**-**	**-**	**58,552**	**(67,270)**	**(8,718)**	**(18,079)**	**2,106**	**(15,973)**	**(24,691)**
Change in translation reserve				(93,763)			**(93,763)**		2,354	2,354	**(91,409)**
Net actuarial losses					(3,054)		**(3,054)**		(187)	(187)	**(3,241)**
Change in fair value of financial instruments					(1,126)		**(1,126)**				**(1,126)**
Other comprehensive expe	**-**	**-**	**-**	**(93,763)**	**(4,180)**	**-**	**(97,943)**	**-**	**2,167**	**2,167**	**(95,776)**
Change in other reserves					(1,319)		(1,319)		(25)	(25)	**(1,344)**
Total other transactions	**-**	**-**	**-**	**-**	**(1,319)**	**-**	**(1,319)**	**-**	**(25)**	**(25)**	**(1,344)**
Profit for the year						71,471	**71,471**	5,695		**5,695**	**77,166**
Equity at 31 December 2017	**159,120**	**35,710**	**31,825**	**(500,469)**	**1,158,531**	**71,471**	**956,188**	**5,695**	**53,775**	**59,470**	**1,015,658**

(EUR'000)	Share capital	Share premium reserve	Other reserves Legal reserve	Other reserves Translation reserve	Other reserves Other reserves	Profit attributable to the owners of the Parent	Group equity	Profit attributable to non-controlling interests	Reserves attributable to non-controlling interests	Equity attributable to third parties	Total Equity
Equity at 1 January 2018	**159,120**	**35,710**	**31,825**	**(500,469)**	**1,158,531**	**71,471**	**956,188**	**5,695**	**53,775**	**59,470**	**1,015,658**
Effects arising from application of IFRS 9					4,804		4,804				**4,804**
Equity at 1 January 2018 with introduction of the new standard IFRS 9	**159,120**	**35,710**	**31,825**	**(500,469)**	**1,163,335**	**71,471**	**960,992**	**5,695**	**53,775**	**59,470**	**1,020,462**
Allocation of 2017 profit					71,471	(71,471)	-	(5,695)	5,695	-	**-**
Distribution of 2017 dividends					(15,912)		(15,912)		(5,057)	(5,057)	**(20,969)**
Non- controlling interests in acquisition of subsidiary							-		69,715	**69,715**	**69,715**
Transactions with non-controlling investors					(1,737)		(1,737)		(7,163)	**(7,163)**	**(8,900)**
Total owner transactions	**-**	**-**	**-**	**-**	**53,822**	**(71,471)**	**(17,649)**	**(5,695)**	**63,190**	**57,495**	**39,846**
Change in translation reserve				(69,767)			**(69,767)**		5,548	5,548	**(64,219)**
Net actuarial gains					785		**785**		(195)	(195)	**590**
Change in fair value of financial instruments					(5,529)		**(5,529)**		-	-	**(5,529)**
Other comprehensive expense	**-**	**-**	**-**	**(69,767)**	**(4,744)**	**-**	**(74,511)**	**-**	**5,353**	**5,353**	**(69,158)**
Change in other reserves					1,120		1,120		454	454	**1,574**
Total other transactions	**-**	**-**	**-**	**-**	**1,120**		**1,120**	**-**	**454**	**454**	**1,574**
Profit) for the year						127,194	**127,194**	8,466		**8,466**	**135,660**
Equity as at 31 December 2018	**159,120**	**35,710**	**31,825**	**(570,236)**	**1,213,533**	**127,194**	**997,146**	**8,466**	**122,772**	**131,238**	**1,128,384**

Consolidated statement of cash flows

(EUR'000)	Notes	31 December 2018	31 December 2017*
Profit for the year		**135,660**	**77,166**
Amortisation and depreciation		78,093	95,133
Net Reversals of impairment losses		(48,481)	(4,389)
Share of net profits of equity-accounted investees		(1,050)	(4,785)
Net financial income		12,117	19,142
Gains on disposals		(6,303)	(1,810)
Income taxes		35,865	8,241
Change in employee benefits		(2,576)	(4,247)
Change in provisions (current and non-current)		10,160	10,069
Operating cash flows before changes in working capital		**213,485**	**194,520**
Increase in inventories		(25,851)	(8,220)
Decrease in trade receivables		8,180	15,387
Decrease) in trade payables		15,442	5,840
Change in other non-current and current assets and liabilities		(2,538)	(9,380)
Change in current and deferred taxes		1,083	16,930
Operating cash flows		**209,801**	**215,077**
Dividends collected		1,227	3,062
Interest collected		4,255	3,930
Interest paid		(13,645)	(19,445)
Other net income (expense) collected (paid)		(2,132)	(5,225)
Income taxes paid		(42,304)	(38,880)
CASH FLOWS FROM OPERATING ACTIVITIES (A)		**157,202**	**158,519**
Investments in intangible assets		(3,970)	(18,819)
Investments in property, plant and equipment		(62,654)	(72,270)
Investments in equity investments and non-current securities		(85,981)	(4,239)
Proceeds from the sale of intangible assets		159	529
Proceeds from the sale of property, plant and equipment		8,069	3,963
Proceeds from the sale of equity investments and non-current securities		2,875	-
Proceeds from assets sold net of cash		288,547	
Change in non-current financial assets		686	594
Change in current financial assets		8,558	4,096
Other changes in investing activities		(929)	(786)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**155,360**	**(86,933)**
Change in non-current financial liabilities		(237,704)	(48,516)
Change in current financial liabilities		(39,075)	18,195
Dividends distributed		(20,970)	(17,156)
Other changes in equity		(20,876)	(14,219)
CASH FLOWS USED INFINANCING ACTIVITIES (C)		**(318,625)**	**(61,696)**
NET EXCHANGE RATE LOSSES ON CASH AND CASH EQUIVALENTS (D)		**(1,793)**	**(13,444)**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(7,856)**	**(3,554)**
Opening cash and cash equivalents	12	**240,471**	**244,025**
Closing cash and cash equivalents	12	**232,615**	**240,471**

* The figures at 31 December 2017 includes the amounts relating to the Italian assets sold.

Consolidated statement of financial position

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

		31 December 2018		31 December 2017	
(EUR'000)	Notes	Total	of which with related parties	Total	of which with related parties
ASSETS					
Intangible assets with a finite useful life	1	223,545	-	128,462	-
Intangible assets with an indefinite useful life	2	353,933	-	346,641	-
Property, plant and equipment	3	789,500	-	759,840	-
Investment property	4	90,152	-	95,094	-
Equity-accounted investments	5	3,613	-	22,470	-
Other equity investments	6	210	-	221	-
Non-current financial assets	9	1,490	-	2,176	-
Deferred tax assets	20	46,772	-	33,778	-
Other non-current assets	11	7,112	-	8,296	-
TOTAL NON-CURRENT ASSETS		**1,516,327**	-	**1,396,978**	-
Inventories	7	184,775	-	126,727	-
Trade receivables	8	163,553	143	160,629	5,983
Current financial assets	9	840	-	1,067	-
Current tax assets	10	9,226	-	7,060	-
Other current assets	11	24,888	-	18,511	-
Cash and cash equivalents	12	232,614		214,528	
TOTAL CURRENT ASSETS		**615,896**	-	**528,522**	-
ASSETS HELD FOR SALE		**-**	-	**431,829**	-
TOTAL ASSETS		**2,132,223**	-	**2,357,329**	-
EQUITY AND LIABILITIES			-		-
Share capital		159,120	-	159,120	-
Share premium reserve		35,710	-	35,710	-
Other reserves		675,122	-	689,887	-
Profit attributable to the owners of the Parent		127,194	-	71,471	-
Group equity	13	**997,146**	-	**956,188**	-
Reserves attributable to non-controlling interests		122,772	-	53,775	-
Profit attributable to non-controlling interests		8,466	-	5,695	-
Equity attributable to non-controlling interests	13	**131,238**	-	**59,470**	-
TOTAL EQUITY		**1,128,384**	-	**1,015,658**	-
Employee benefits	14	31,777	-	34,598	-
Non-current provisions	15	27,804	-	29,426	-
Non-current financial liabilities	17	461,462	-	696,090	-
Deferred tax liabilities	20	145,282	-	127,544	-
Other non-current liabilities	19	4,768	-	5,020	-
TOTAL NON-CURRENT LIABILITIES		**671,093**	-	**892,678**	-
Current provisions	15	15,525	-	2,869	-
Trade payables	16	228,209	501	204,204	58
Current financial liabilities	17	27,407	-	62,776	-
Current tax liabilities	18	13,737	-	16,420	-
Other current liabilities	19	47,868	6	44,850	58
TOTAL CURRENT LIABILITIES		**332,746**	-	**331,119**	-
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		**-**	-	**117,874**	-
TOTAL LIABILITIES		**1,003,839**	-	**1,341,671**	-
TOTAL EQUITY AND LIABILITIES		**2,132,223**	-	**2,357,329**	-

Consolidated income statement

pursuant to CONSOB Resolution No. 15519 of 27 July 2006

		2018		2017	
(EUR'000)	Notes	Total	of which with related parties	Total	of which with related parties
REVENUE	21	**1,196,186**	**632**	**1,140,006**	**21,002**
Change in inventories	7	12,378	-	623	-
Increase for internal work	22	6,648	-	7,344	-
Other operating revenue	22	24,458	34	22,071	38
TOTAL OPERATING REVENUE		**1,239,670**	-	**1,170,044**	-
Raw material costs	23	(479,283)	-	(444,161)	-
Personnel costs	24	(176,326)	-	(174,748)	-
Other operating costs	25	(345,557)	(2,158)	(328,438)	(680)
TOTAL OPERATING COSTS		**(1,001,166)**	-	**(947,347)**	-
EBITDA		**238,504**	-	**222,697**	-
Amortisation and depreciation	26	(78,093)	-	(72,590)	-
Provisions	26	(4,091)	-	(3,865)	-
Impairment losses	26	(3,107)	-	(5,677)	-
Total amortisation, depreciation, impairment losses and provisions		(85,291)	-	(82,132)	-
EBIT		**153,213**	-	**140,565**	-
Share of net profits of equity-accounted investees	27	1,050	-	4,785	-
Financial income	27	70,835		13,468	16
Financial expense	27	(28,145)	-	(26,916)	-
Net exchange rate losses	27	(12,318)	-	(5,249)	-
Net financial income (expense)		30,372	-	(18,697)	-
NET FINANCIAL INCOME (EXPENSE) AND ASSESSMENT OF EQUITY-ACCOUNTED INVESTEES		**31,422**	-	**(13,912)**	-
PROFIT BEFORE TAXES		**184,635**	-	**126,653**	-
Income taxes	28	(35,866)	-	(16,393)	-
PROFIT FROM CONTINUING OPERATIONS		**148,769**	-	**110,260**	-
LOSS FROM DISCONTINUED ACTIVITIES	36	**(13,109)**	-	**(33,094)**	
PROFIT FOR THE YEAR		**135,660**	-	**77,166**	-
Attributable to:					
Non-controlling interests		8,466	-	5,695	-
Owners of the Parent		**127,194**	-	**71,471**	-
(EUR)					
Basic earnings per share	29	**0.799**		**0.449**	
Diluted earnings per share	29	**0.799**		**0.449**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Cementir Holding SpA (the "Parent"), a company limited by shares with registered office in Corso di Francia 200, Rome, Italy, and its subsidiaries make up the Cementir Holding Group (the "Group"), mainly active in the cement and ready-mixed concrete sector in Italy and around the world.

At 31 December 2018 shareholders holding shares exceeding 3% of share capital, as indicated in the book of shareholders, from communications received pursuant to Article 120 of Legislative Decree 58 of 24 February 1998 and other information available, are:

1) Francesco Gaetano Caltagirone – 104,862,053 shares (65.901%). The shareholding is held as follows:
   - Direct ownership of 1,327,560 shares (0.834%)
   - Indirect ownership through the companies:
     - Calt 2004 Srl – 47,860,813 shares (30.078%)
     - Caltagirone SpA – 22,820,015 shares (14.341%)
     - FGC Finanziaria Srl – 17,585,562 shares (11.052%)
     - Gamma Srl – 5,575,220 shares (3.504%)
     - Pantheon 2000 SpA – 4,466,928 shares (2.807%)
     - Ical 2 SpA – 2,614,300 shares (1.643%)
     - Capitolium SpA – 2,604,794 shares (1.637%)
     - Vianini Lavori SpA – 6,861 shares (0.004%)
2) Francesco Caltagirone – 8,520,299 shares (5.355%). The shareholding is held as follows:
   - Direct ownership of 2,520,299 shares (1.584%)
   - Indirect ownership through the company Chupas 2007 Srl – 6,000,000 shares (3.771%).

On 7 March 2019, the Board of Directors approved these consolidated financial statements at 31 December 2018 and authorised their publication.

Cementir Holding SpA is included in the consolidated financial statements of the Caltagirone Group. At the date of preparation of these consolidated financial statements, the ultimate Parent is FGC SpA due to the shares held via its subsidiaries.

The consolidated financial statements at 31 December 2018 include the financial statements of the Parent and its subsidiaries. The financial statements of the individual companies at the same date prepared by their directors were used for the consolidation.

Statement of compliance with the IFRS

These consolidated financial statements at 31 December 2018, drawn up on a going concern basis for the Parent and the subsidiaries, have been prepared pursuant to Articles 2 and 3 of Legislative Decree 38/2005 and the International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission and in force at the reporting date, as well as the previous International

Accounting Standards (IAS). For the sake of simplicity, all these standards and interpretations are referred to herein as “IFRS”. Reference was also made to Article 9 of Legislative Decree 38 of 28 February 2005, the provisions of the Italian Civil Code, CONSOB (Italian Securities and Exchange Commission) Resolutions 15519 (“Instructions for financial statements implementing Article 9.3 of Legislative Decree 38/2005”) and 15520 (“Amendments and additions to the regulation implementing Legislative Decree 58/1998”), both dated 27 July 2006, and CONSOB Communication DEM/6064293 of 28 July 2006 (“Corporate disclosures of listed issuers and issuers with financial instruments traded on the market as per Article 116 of the Consolidated Finance Act”).

Basis of presentation

The consolidated financial statements at 31 December 2018 are presented in euros, the Parent’s functional currency. All amounts are expressed in thousands of euros, unless indicated otherwise. The consolidated financial statements consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes. The Group has opted to present these statements as follows:

- the statement of financial position presents current and non-current assets and liabilities separately;
- the income statement classifies costs by nature;
- the statement of comprehensive income presents the effect of gains and losses recognised directly in equity, starting from the profit or loss for the year;
- the statement of changes in equity is presented using the changes in equity method;
- the statement of cash flows is presented using the indirect method.

The general criterion adopted is the historical cost method, except for items recognised and measured at fair value based on specific IFRS, as described below in the section on accounting policies.

The IFRS have been applied consistently with the guidance provided in the Framework for the Preparation and Presentation of Financial Statements. The Group was not required to make any departures as per IAS 1.19.

CONSOB Resolution No. 15519 of 27 July 2006 requires that sub-items be added in the financial statements, in addition to those specifically requested by IAS 1 and the other standards, when material, so as to show transactions with related parties separately or, in the case of the income statement, profits and losses on non-recurring or unusual transactions.

Assets and liabilities are presented separately and are not netted.

The Parent Cementir Holding SpA has also prepared its separate financial statements at 31 December 2018 in accordance with the IFRS, as defined above.

Standards and amendments to standards adopted by the Group

a) As of 1 January 2018, the Group has adopted the following new accounting standards:

- IFRS 15 - "Revenue from Contracts with Customers", endorsed by the EU on 29 October 2016 through Regulation 1905, and "Clarifications to IFRS 15 Revenue from Contracts with Customers", endorsed by the EU on 9 November 2017 through Regulation 291. IFRS 15 establishes the criteria for the recognition and measurement of revenue from contracts with customers. In brief, the standard requires analysis of the following five steps to record revenue: (i) identification of the contract; (ii) identification of the performance obligations contained in the contract;(iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations;(v) recognition of revenue. The Cementir Group has conducted a detailed analysis to check whether introducing the new standard caused changes to how revenue is recognised. From analyses conducted no effects emerged in all the IFRS 15 application areas.
- IFRS 9 - "Financial instruments", whose EU endorsement took place on 29 November 2016 through Regulation 2067. IFRS 9 - "Financial instruments" replaced IAS 39 - "Financial Instruments: recognition and measurement" as of 1 January 2018, providing a new set of accounting rules applicable to classifying and measuring financial instruments, impairment of financial asset and hedge accounting.

  Amongst other things, IFRS 9 establishes that if a financial liability is modified or exchanged without derecognition, any effects from recalculating the value of the new liability using the modified cash flows and original effective interest rate must be recognised in profit or loss immediately. This is the opposite to what is established by IAS 39 where accounting of the new financial liability was applied prospectively. Modification costs and fees sustained are still recognised adjusting the carrying amount of the modified liability directly and depreciated using the effective interest rate over the instrument's useful life span. Introduction of IFRS 9 did not have any classification and measurement effects. For hedge accounting, IFRS 9 requirements in order to apply the new hedge accounting rules were checked. Based on these controls, we feel that all existing hedging relations satisfy criteria needed to carry on applying hedge accounting. For the impairment model, adopting IFRS 9 radically changed the way impairment losses are calculated and accounted for; replacing the incurred loss approach of IAS 39 with a criterion based on the forward-looking expected credit loss model (ECL).

  Based on the new standard, regardless of a specific trigger event, credit expected losses calculated applying the ECL model must be recognised for all financial assets (except those valued at FVTPL). For trade receivables, an impairment model considering the so-called simplified approach foreseen by the standard for those financial assets was used. Receivables were divided into uniform clusters; the reference parameters (PD, LGD, and EAD) used to calculate the lifetime expected credit losses were then calculated for each cluster using the information available. Analyses showed that introducing IFRS 9 did not have any significant effects compared to what the group used to do.

Lastly, for the modification of financial liabilities, the Group recalculated financing values when contractual conditions had changed over time compared to the original contract.

This analysis showed a EUR 4,804 thousand increase in equity backdated to 1 January 2018, according to the IFRS 9 transition rules, and a EUR 2,306 thousand negative effect on the income statement for 2018.

As set out in the above provisions, the income statement and equity balances for comparative prior years were not recalculated. The Group applied the new hedge accounting provisions prospectively as of 1 January 2018.

- IFRS 2 - "Share-based payment", whose EU endorsement took place on 26 November 2018 with regulation 289. The document “Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)” resolved a number of issues related to the accounting of share-based payments. Specifically, the amendment makes significant improvements to (i) accounting for cash-settled share-based payments, (ii) their classification, and (iii) how to account for the modification of share-based payments from cash-settled to equity-settled.
- IFRS 4 - "Insurance Contracts", whose EU endorsement took place on 3 November 2017 with Regulation 1988. The document “Amendments to IFRS 4: Applying IFRS 9 - "Financial Instruments" with IFRS 4 Insurance Contracts” aims to address the temporary accounting consequences of the different effective dates of IFRS 9 - "Financial Instruments" and the forthcoming insurance contracts Standard.
- IFRIC 22 – “Foreign Currency Transactions and Advance Consideration”, endorsed by the EU on 28 March 2018 through Regulation No. 519. The document intends to provide clarification on the correct accounting for transaction that include the receipt or payment of advice consideration in a foreign currency. The interpretation clarifies that the transaction date to be used for the translation is the date on which the entity paid or received the advance payment.
- IAS 40 - "Investment Property", endorsed by the EU on 14 March 2018. The document “Amendments to IAS 40: Transfers of Investment Property” aims to clarify aspects relating to the treatment of transfers to, or from, investment properties. Specifically, the amendment clarifies that a transfer should be made only when there has been a change in use of the property. A change in management’s intentions for the use of a property by itself is not sufficient for a transfer.
- “Annual Improvements to IFRS Standards 2014-2016 Cycle” endorsed by the EU on 7 February 2018. The amendments adopted are part of the normal rationalisation and clarification of the standards.

Except for that said above about IRFS 9, adopting the new standards applicable as of 1 January 2018 did not have significant effects.

b) Standards and interpretations of standards applicable for the financial years starting after 2018 and not adopted in advance by the Group:

- On 12 October 2017, the IASB published a number of amendments to IFRS 9 – "Financial Instruments". The document "Prepayment features with Negative Compensation (Amendments to IFRS 9)" aims to amend the requirements of IFRS 9 with reference to the following two situations: (i) financial assets that contain prepayable options with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other significant requirements of IFRS 9; (ii) new rules are introduced for accounting for a non-substantial modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of fixed-rate financial liabilities. The amendments are applicable to reporting periods beginning on or after 1 January 2019; earlier application is permitted. EU endorsement took place on 22 March 2018 through Regulation 498.
- On 12 October 2017, the IASB published a number of amendments to IAS 28 – "Investments in associates and joint ventures". The document “Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)” aims to clarify a number of aspects in cases where companies finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future (“Long-Term Interests” or “LTI”). In particular, the amendment clarifies that those financial assets, though representing an extension to the net investments in those investees that IAS 28 applies to, are subject to the impairment provisions of IFRS 9. The amendments are applicable to reporting periods beginning on or after 1 January 2019; earlier application is permitted. EU endorsement took place on 8 February 2019 through Regulation 237.
- On 7 June 2017, the IASB published the interpretation IFRIC 23 – “Uncertainty over Income Tax Treatments”, which provides guidance on how to reflect uncertainties over income tax treatments for a certain fact when accounting for income tax. IFRIC 23 is applicable to reporting period beginning on or after 1 January 2019. EU endorsement took place on 23 October 2018 through Regulation 1595.
- On 13 January 2016, IASB published the new standard IFRS 16 - "Leases", to replace the current lease provisions, including IAS 17 - “Leases”, IFRIC 4 - “Determining whether an arrangement contains a lease”, SIC-15 - “Operating leasing - Incentives” and SIC-27 - “Evaluating the substance of transactions in the legal form of a lease”. IFRS 16 has to be applied as of 1 January 2019. EU endorsement took place on 31 October 2017 through Regulation 1986. The standard eliminates *de facto* the difference in accounting for operating and finance leases, while also simplifying application and introducing the concept of control to the definition of leasing. Specifically, to determine whether a contract is a lease, IFRS 16 requires verification of whether or not the lessee has the right to control the use of an identified asset for a determined period of time. Earlier application is permitted

for entities that also apply IFRS 15 - "Revenue from Contracts with Customers". The Cementir Group will apply IFRS 16 from 1 January 2019; within this framework, detailed analysis was conducted to verify the impact arising from introduction of the new standard.

The transition approach adopted is the “Modified Retrospective”, which involves recognition of the right of use asset at the initial application date at on amount equal to the lease liability.

At the date of these consolidated financial statements, concerning the effects of application of IFRS 16, please note an increase in assets for the right of use asset amounting to about EUR 81.8 million and a corresponding negative effect on net financial debt of about EUR 81.8 million. The above amounts are determined based on contracts’ duration and interest rates as per the leasing contracts or in alternative of interests on Group’s debt.

At the approval date of these consolidated financial statements, except for that stated in relation to IFRS 16, the Group is analysing whether there are any effects resulting from applying the new standards and interpretations.

c) Standards and interpretations to be applied shortly:

At the date of approval of these consolidated financial statements, the IASB has issued certain standards, interpretations and amendments that the European Union has yet to endorse, some of which are still at the discussion stage. They include:

- On 18 May 2017, the IASB published the new standard IFRS 17 – "Insurance Contracts", which replaces IFRS 4. The new standard on insurance contracts aims to increase transparency on the sources and quality of profit and to ensure greater comparability of results, introducing a single standard for revenue recognition that reflects the services provided. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The endorsement process by EFRAG is currently under way.
- On 12 December 2017, the IAS published “Annual Improvements to IFRS Standards Cycle 2015-2017”. The amendments introduced, forming part of the normed rationalisation and clarification of the IFRS, relate to the following standards: (i) IFRS 3 - "Business Combinations" and IFRS 11 - "Joint Arrangements": the ISAB has clarified how to account for the increase of an interest in a joint operation that meets the definition of a business; (ii) IAS 12 - "Income Taxes": the IASB has clarified that the income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the underlying transactions or events that generated the distributable profits (i.e. in profit or loss, OCI or equity); (iii) IAS 23 - "Borrowing Costs": the IASB clarified that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings for qualifying assets that are now ready for their intended use are included in that general pool for the purposes of IAS 23. The amendments are applicable to annual reporting period beginning on or after 1 January 2019; earlier application is permitted. Conclusion of

the Endorsement Process took place during 2018, while EU endorsement is expected in the first quarter of 2019.

- On 7 February 2018, the IASB published a number of amendments to IAS 19 - "Employee Benefits". The document “Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)” clarifies a number of accounting aspects relating to amendment, curtailment or settlement of a defined benefit plan. The amendments apply to amendments to plans, curtailments or transactions as of 1 January 2019, i.e. the date on which they are first applied (earlier application is permitted). Conclusion of the Endorsement Process took place during 2018, while EU endorsement is expected in the first quarter of 2019.
- On 29 March 2018, the IASB published the reviewed version of the Conceptual Framework for Financial Reporting. The main amendments compared to 2010 concern a new measurement chapter, better definitions and guidance, especially referred to establishing liabilities, and clarifications of important concepts, like stewardship, prudence and uncertainties in valuations. The amendments are applicable to reporting periods beginning on or after 1 January 2020. The endorsement process by EFRAG and EU approval are expected for 2019.
- On 22 October 2018, the IASB published a number of amendments to IFRS 3. The document “Amendment to IFRS 3 Business Combinations” introduced a much more restrictive definition of business than the one in the current version of IFRS 3, and a logical path to be followed to check whether a transaction can be considered a business combination or the simple acquisition of an asset. The amendment must be applied to acquisitions as of 1 January 2020. The endorsement process by EFRAG and EU approval are expected for 2019.
- On 31 October 2018, the IASB published the document "Amendments to IAS 1 and IAS 8: Definition of Material” to refine and align the definition of material present in some IFRS, so that it is consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The amendments are applicable to annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted. The endorsement process by EFRAG and EU approval are expected for 2019.

The potential impact of the accounting standards, amendments and interpretations to be applied in the future on the Group’s financial reports is currently being studied and assessed.

Basis of consolidation

Consolidation scope

A list of the companies included in the scope of consolidation at 31 December 2018 is provided in annex 1.

Subsidiaries

The scope of consolidation includes the Parent, Cementir Holding SpA, and the companies over which it has direct or indirect control. Subsidiaries subject to direct or indirect control include companies for which the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence of potential voting rights is considered when determining whether control exists.

Subsidiaries are consolidated from the date on which control is obtained until when control ceases to exist. The financial statements used for consolidation purposes have a reporting date of 31 December, i.e., the same as that of the consolidated financial statements. They are usually prepared specifically for the purpose and approved by the directors of the individual companies and adjusted, when necessary, to comply with the Parent's accounting policies.

Consolidation criteria

Subsidiaries are consolidated line-by-line. The criteria adopted for line-by-line consolidation are as follows:

- assets, liabilities, expense and income are consolidated line-by-line, attributing to non-controlling interests (when they exist) their share of equity and profit (loss) for the year, which is presented separately in the consolidated statement of financial position and the income statement;
- business combinations where the Parent acquires control of an entity are recognised using the acquisition method. The purchase cost is given by the fair value of the transferred assets, the liabilities assumed and equity instruments issued as at the acquisition date. The acquired assets, liabilities and contingent liabilities are recognised at fair value as at the date of acquisition. The difference between the purchase cost and the fair value of the acquired assets and liabilities is recognised as goodwill, if positive, or directly as income in the income statement, if negative;
- intragroup transactions and balances, including any unrealised profits with third parties arising on transactions with group companies, are eliminated, net of the related tax effect, if material. Unrealised losses are not eliminated if the transaction provides evidence of an impairment of the transferred asset;
- gains or losses on the sale of investments in consolidated companies are recognised in equity attributable to the owners of the Parent as owner transactions for the difference between the sales price and the related share of equity sold. If the sale leads to the loss of control and, therefore, the exclusion of the investee from the scope of consolidation, the difference between the sales price and the related share of equity is recognised as a gain or loss in the income statement.

Interests in joint arrangements

A joint arrangement is an agreement whereby two or more parties contractually have joint control of an "arrangement", i.e. when decisions about the relevant activities require the unanimous consent of the parties sharing control.

As regards the method of measurement and recognition in the financial statements, IFRS 11 sets out different approaches for:

- Joint Operations (JO): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- Joint Ventures (JV): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The formulation of IFRS 11 as regards the distinction between JO and JV therefore depends upon the rights and obligations of the co-venturer in the joint arrangement, i.e. the substance of the arrangement and not its legal form.

As regards the presentation in the consolidated financial statements of JVs, IFRS 11 only requires then to be measured using the equity method, as described below.

As regards JOs, since the parties to the arrangement share the rights to the assets and assume the obligations for liabilities connected to the agreement, IFRS 11 requires each joint operator to recognise the pro-rata value of its share of the assets, liabilities, revenues and expense of the JO.

Associates

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

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

The equity method may be described as follows:

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

- unrealised significant gains and losses on transactions between the Parent/subsidiaries and equity-accounted investees are eliminated to the extent of the Group's investment therein; unrealised losses are eliminated, unless they represent an impairment loss.

Accounting policies

Intangible assets

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

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

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

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

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

	Useful life of intangible assets with a finite useful life
- Development expenditure	5
- Concessions, licences and trademarks	4-18-30
- Other intangible assets, of which:	5-22
Customer list	15-20

Intangible assets with an indefinite useful life are those assets for which, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group. They are initially recognised at cost, determined using the same methods indicated above for intangible assets with a finite useful life. They are not amortised but are tested for impairment annually or more frequently, if specific events suggest that they may be impaired, using the methods set out below for goodwill. Any impairment losses are reversed when the reasons therefore no longer exist.

In the case of an acquisition of a subsidiary, the acquired identifiable assets, liabilities assumed and contingent liabilities are recognised at their fair value as at the date of acquisition. Any positive difference between the purchase cost and the Group's share of fair value of these assets and liabilities is recognised as goodwill under intangible assets. Any negative difference (negative goodwill) is recognised in the income statement at the acquisition date. Goodwill is not amortised after initial recognition but is tested for impairment annually or more frequently whenever there is an indication that it may be impaired. Impairment losses on goodwill are not reversed.

Property, plant and equipment

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

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

Ordinary and/or regular maintenance and repair costs are expensed when incurred. Costs to extend, upgrade or improve group-owned assets or assets owned by third parties are capitalised only when they meet the requirements for their separate classification as assets or a part of an asset, using the component approach.

Property, plant and equipment are recognised net of accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually. Any necessary changes to its useful life are applied prospectively. Quarries are depreciated considering the quantities extracted in the period compared to the quantity extractable over the quarry's useful life (extracted/extractable criterion). When the Group has a specific commitment to do so, it recognises a provision for site restoration costs.

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

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

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

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

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

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

Investment property

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

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

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

Impairment losses

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

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

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

Impairment losses are recognised in the income statement when the carrying amount of the asset or related cash-generating unit (CGU) to which it is allocated is higher than its recoverable amount. Impairment losses on CGUs are firstly used to decrease the carrying amount of any goodwill allocated thereto and subsequently the other assets, in proportion to their carrying amounts. When the reason for an impairment loss on property, plant and equipment and intangible assets other than goodwill no longer exists, the carrying amount of the asset is increased through profit or loss to the carrying amount the asset would have had, had the impairment loss not been recognised and depreciation/amortisation charged.
If the impairment loss is higher than the carrying amount of the tested asset allocated to the CGU to which it belongs, the remaining amount is allocated to the assets included in the CGU in proportion to their carrying amounts. This allocation has as a minimum limit the higher amount of:
- the fair value of the asset, net of costs to sell;
- the value in use, as defined above;
- zero.

Impairment Losses are recognised in the income statement under amortisation, depreciation and impairment losses.

Discontinued operations and non-current assets held for sale

Non-current assets (or disposal groups) whose carrying amount will mainly be recovered through their sale and not with their continued use are classified as held for sale and presented separately from other assets and liabilities in the statement of financial position. For that to occur, the asset (or disposal group) must be available for immediate sale in its present current, subject to terms that are used and customary for the sale of such assets (or disposal groups) and its sale must be highly probable within one year. If these criteria are met after the reporting date, the non-current asset (or disposal group) is not classified as held for sale. However, if those conditions are met after the reporting date but before authorisation to publish the financial statements, suitable information is provided in the Notes.
Non-current assets (or disposal groups) classified as held for sale are recognised at the lower of their carrying amount and relative fair value less costs to sell; the comparative prior year-end captions are not reclassified. A discontinued operation is a component of a company that has either been disposed of or classified as held for sale and:
- represents a major line of business or geographical area of operations;
- is part of a coordinated disposal plan for a major activity branch or geographical area of operations or is a subsidiary acquired solely to be resold.

The profit or loss of discontinued operations – whether disposed of or classified as held for sale and in the process of being disposed of – are shown separately in the income statement, net of tax effects. The corresponding amount for the previous year, where present, are reclassified and shown separately in the income statement, net of tax effects, for comparative purposes.

Inventories

Raw materials, semi-finished products and finished goods are recognised at cost and measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method and includes any ancillary costs. In order to determine net realisable value, the carrying amount of any obsolete or slow-moving inventories is written down to reflect their future utilisation/net realisation by recognising an allowance for inventory write-down.

Emission rights

The IFRS do not specifically regulate emission rights (or CO_2), Emission rights are initially recognised as intangible assets at fair value using the cap and trade scheme. They are subsequently measured using the cost model. Emission rights recognised under intangible assets are not amortised but are tested for impairment. At the end of each reporting period, if production requires a greater number of CO_2 allowances than those available in the register, the Group sets up a provision for risks and charges for the fair value of the number of allowances to be purchased subsequently on the market.

Financial instruments

As of 1 January 2018, the Group has been applying the international accounting standard IFRS 9 "Financial Instruments" to recognise and measure financial instruments. IFRS 9 replaces IAS 39, providing new rules on classification and valuation, derecognition, impairment and hedge accounting. The main novelties include having to consider the business model used to manage financial assets and liabilities and the characteristics of financial cash flows for classification and valuation purposes. Then the standard also introduces new aspects for the valuation of expected credit losses and a new hedge accounting model. Introducing the new standard did not have any impacts on all the application areas established.

Classification and measurement

IFRS 9 introduces new provisions for the classification and measurement of financial assets. These reflect the business model by which those assets are managed and the characteristics of their financial flows.

IFRS 9 classifies financial assets in three main categories: at amortised cost, at the fair value recognised in the other components of the comprehensive income statement (FVOCI) and at the fair value recognised in the profit/(loss) for the year (FVTPL). The categories established by IAS 39, that is, held till expiry, loans and credits and held for sale, were eliminated.

The analysis the company needs to perform to classify financial assets in the aforementioned categories follows a first distinction based on whether we are dealing with a credit instrument, a certificate of indebtedness or a derivative.

All financial assets represented by CREDIT INSTRUMENTS are always recognised at fair value.

If the instrument is held for trading purposes, the changes in fair value must be recognised in the income statement. Whereas, for all the other investments, the company can decide, at the initial recognition date, to subsequently recognise all changes to fair value in the other components of the comprehensive income statement (OCI), exercising the FVTOCI option. In that case, amounts accumulated in the OCI will never be attributed to profit/(loss) for the year even if the investment is removed from accounts. Application of the "FVTOCI" option is irrevocable and reclassifications between the three categories are not permitted.

Related to classification of financial assets represented by RECEIVABLES AND CERTIFICATES OF INDEBTEDNESS, two elements need to be considered:

1. the business model adopted by the company. Specifically:

- *Held to Collect* (HTC), model aimed at owning the financial assets to collect contractual flows;
- *Held To Collect and Sale* (HTC&S), model aimed at both collecting contractual flows resulting from the financial assets and to sell the financial asset itself;
- other different business models to the two previous ones.

2. the characteristics of the contractual cash flow coming from the financial instrument. More specifically, checking whether those contractual cash flows are solely represented by payment of capital and interest or include other components. This control is called SPPI Test (Solely Payment of Principal and Interest Test).

IFRS 9 provides definitions of capital and interest:

- capital is the fair value of the financial asset at the time of initial recognition and that amount can change over time during the lifetime of the financial instrument (for example, through repayments);
- interest represents the compensation for the money's time value and the credit risk on the residual capital.

Therefore, a financial asset represented by a certificate of indebtedness can be classified in the following categories:

1) Amortised cost when:

a. the instruments' contractual cash flows are solely represented by payment of capital and interest (SPPI Test passed); and

b. the business model adopted by the company foresees that the latter only holds the financial asset to collect the contractual cash flows (HTC business model).

In this category, financial instruments are initially recognised at fair value, including operating costs, and are then valued at amortised cost. Interest (calculated using the effective interest criterion as in the previously in force IAS 39), losses (and recovery of losses) for reduced value, profits/(losses) on exchange and profits/(losses) resulting from elimination from accounts are recognised in profit/(loss) of the year.

2) Fair Value Through Other Comprehensive Income (FVTOCI) when:

a. the instruments' contractual cash flows are solely represented by payment of capital and interest (SPPI Test passed); and

b. the business model adopted by the company foresees that the latter holds the financial asset to collect the contractual cash flows and the cash flows generated by sales (HTC&S business model).

In that category the financial instruments classified are initially recognised at fair value, including operating costs.

Interest (calculated using the effective interest criterion as in the previously in force IAS 39), losses/(profits) for reduced value, profits/(losses) on exchange are recognised in profits/(losses) for the year. Other changes to the fair value of the instrument are recognised amongst the other comprehensive income statement components (OCI). When the instrument is deleted from accounts, all profits/(losses) accumulated to OCI will be reclassified in the profit/(loss) for the year.

3) Fair Value Through Profit or Loss secondarily, that is when:

a. the criteria described above are not complied with or;

b. when the fair value option is exercised.

Financial instruments classified in that category are initially and subsequently recognised at fair value. Operation costs and the changes in fair value are recognised in the profit/(loss) for the year.

Losses for reduction in value

IFRS 9 replaces the 'incurred loss' model foreseen by IAS 39 with the ‘expected credit loss’ (or ‘ECL’ model). The model assumes a significant valuation level due to the impact of economic factor changes on the ECL which will be weighted based on probability.

The new loss for reduction in value model applies to financial assets valued at amortised cost or at FVOCI, except for the credit instruments and assets resulting from contracts with customers.

The standard foresees that the funds hedging credits are valued using the following approaches: the "General deterioration method” and the "Simplified approach”; Specifically:

- The "General deterioration method” requires classification of the financial instruments included in the scope of IFRS 9 application in three stages. The three stages reflect the credit's quality deterioration level, from when the financial instrument is acquired, and imply a different ECL calculation method;
- The "Simplified approach” foresees adoption of some simplifications for trade credits, contract assets and credits resulting from leasing contracts, in order to avoid that companies be obliged to monitor changes to the credit risk, as foreseen by the general model. Recognition of the loss applying the simplified approach must be lifetime, therefore the allocation stage is not required. Therefore, for that type receivables are divided into uniform clusters; the reference parameters (PD, LGD, and EAD) used to calculate the lifetime expected credit losses are then calculated for each cluster using the information available.

In cases where the General Deterioration Method is applied, as was said, financial instruments are classified in three stages based on deterioration of the credit quality between the date of initial recognition and that of valuation:

- Stage 1: includes all financial assets being considered when they are first recognised (Initial recognition date) regardless of the qualitative parameters (e.g.: rating) and except for situations with objective evidence of impairment. In the subsequent valuation stage, all financial instruments that have had a significant increase in credit risk compared to initial recognition or that have a low credit risk at the reference date remain in stage 1. For those assets, credit losses for the next 12 months (*12-month ECL*) are recognised, considering the possibility that default could occur in the next 12 months. The interest on financial instruments included in stage 1 is calculated on the book value gross of any asset impairment losses;
- Stage 2: includes financial instruments that have had a significant increase in credit risk compared to the initial recognition Date, but no objective evidence of impairment. Solely expected credit losses resulting from all possible default events are recognised for those assets; for the entire expected lifetime of the financial instrument (*Lifetime ECL*). The interest on financial instruments included in stage 2 is calculated on the book value gross of any asset impairment losses;
- Stage 3: includes financial assets with objective evidence of impairment at the Date of valuation. Solely expected credit losses resulting from all possible default events, for the entire expected lifetime of the financial instrument, are recognised for those assets.

Financial liabilities, related to loans and borrowings, trade payables and other obligations to pay, are initially recognised at fair value, net of directly related costs. They are subsequently measured at amortised cost, using the effective interest method. If there is a change in the estimated future cash flows and they can be determined reliably, the carrying amount of the liability is recalculated to reflect this change based on the present value of the new estimated future cash flows and the initially determined internal rate of return.
Financial liabilities are classified as current liabilities, unless the Group has the unconditional right to defer their payment for at least 12 months after the reporting date.
Financial liabilities are derecognised when they are extinguished, and the Group has transferred all the risks and obligations related to them.

Derivatives

In line with IFRS 9, in the first application stage, the Group has decided to avail itself of the possibility to still apply the hedge accounting provisions foreseen by IAS 39. So, provisions regarding derivative financial instruments have remained the same.

The Group uses derivatives to hedge the risk of fluctuations in exchange rates, interest rates and market prices.

All derivatives are measured and recognised at fair value.

Transactions that meet requirements for the application of hedge accounting are classified as hedging transactions. Other transactions are designated as trading transactions, even when their purpose is to manage risk. Therefore, as some of the formal requirements of IFRS were not met at the derivative agreement date, changes in their fair value are recognised in the income statement.

Subsequent fair value gains or losses on derivatives that meet the requirements for classification as hedging instruments are recognised using the criteria set out below.

A derivative qualifies for hedge accounting if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, including the entity’s risk management objective and strategy for undertaking the hedge as well as methods to test effectiveness. The hedge’s effectiveness is assessed at inception and over the life of the hedge. Generally, a hedge is considered to be highly effective if, both upon inception and over its life, changes in the fair value (fair value hedges) or estimated cash flows (cash flow hedges) of the hedged item are substantially covered by changes in the fair value of the hedging instrument.

When the hedge relates to changes in the fair value of a recognised asset or liability (fair value hedge), changes in the fair value of both the hedging instrument and the hedged item are recognised in the income statement.

In the case of cash flow hedges (hedging designated to offset the risk of changes in cash flows generated by the future performance of contractually defined obligations at the reporting date), changes in fair value of the derivative recognised after its initial recognition are recognised under reserves (in equity) for the effective part only. When the economic effects of the hedged item arise, the reserve is reversed to the income statement under operating income (expense). If the hedge is not perfectly effective, changes in the fair value of the hedging instrument, related to the ineffective portion, are immediately recognised in the income statement. If, during the life of a derivative, the estimated cash flows hedged are no longer highly probable, the portion of the reserves related to that instrument is immediately reversed to the income statement. Conversely, if the derivative is sold or no longer qualifies as an effective hedging instrument, the part of the reserves representing the fair value changes in the instrument, accumulated to date, is maintained in equity and reversed to the income statement using the above classification method when the originally hedged transaction takes place.

The fair value of financial instruments was calculated used pricing techniques in order to define the present value of future cash flows attributable to such instruments, using market curves in place at the measurement date. Furthermore, the component related to the risk of non-compliance (by the Group and the counterparty) was measured using yield-curve spreads.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and include bank deposits and cash-on-hand, i.e., short-term, highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Employee benefits

Liabilities for employee benefits paid at or after termination of employment related to defined benefit plans, net of any plan assets, are determined using actuarial assumptions, estimating the amount of future benefits accrued by employees at the reporting date. They are recognised on an accruals basis over the period in which the employees' rights accrue.

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

Accounting policies adopted by the Group since 1 January 2007 (described below) comply with the prevailing interpretation of the new legislation and follow the accounting guidance provided by relevant professional bodies. Specifically:

- post-employment benefits accruing since 1 January 2007 are considered to be defined contribution plans, including when the employee has opted to transfer the benefits to the INPS treasury fund. These benefits, determined in accordance with Italian Civil Code requirements, are not subjected to actuarial valuation and are recognised as personnel expense.
- post-employment benefits vested up to 31 December 2006 continue to be recognised as a company liability for defined benefit plans. This liability will not increase in the future through additional accruals. Therefore, unlike in the past, the actuarial calculation used to determine the 31 December 2016 balance did not include future salary increases.

Independent actuaries calculate the present value of the Group's obligations using the projected unit credit method. They project the liability into the future to determine the probable amount to be paid when the employment relationship terminates and then discount it to consider the time period before the first effective payment.

[1] For Italian companies.

This calculation includes post-employment benefits accrued for past service and uses actuarial assumptions, mainly based on interest rates, which reflect the market yield on high quality corporate bonds with a term consistent with that of the Group's obligation and employee turnover rate.
Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Group's obligations at the reporting date, due to changes in the actuarial assumptions previously used (see above), are recognised directly in other comprehensive income.

Provisions for risks and charges

These provisions cover certain or probable risks and charges identified, whose due date or amount is unknown at the reporting date.
Accruals to provisions for risks and charges are recognised when the company has a constructive or legal obligation at the reporting date as a result of a past event and it is likely that an outflow of resources will be necessary to settle the obligation and the amount of this outflow can be estimated reliably. When the time value of money is material and the payment dates can be estimated reliably, the provision is discounted. Increases in the provision due to the passage of time are recognised as a financial expense. The Group sets up a specific provision when it has an obligation to dismantle and restore sites (e.g., quarries), thus increasing the carrying amount of the related asset pursuant to IFRIC 1.

Grants

Government and other grants are recognised at their fair value when the Group is reasonably certain they will be received and it will meet all the conditions for their receipt.
Grants for the purchase or development of non-current assets (grants related to assets) are either recognised directly as a reduction in the carrying amount of the non-current asset or under other liabilities and recognised in the income statement over the related asset's useful life.
Grants related to income are recognised in full in the income statement when the conditions for their recognition are met.

Revenue from contracts with customers

Introduction of the new IFRS 15 standard thoroughly modified recognition of revenues.

The objective for introducing accounting standard IFRS 15 *Revenue from Contracts with Customers*, is to create a full, uniform reference framework for the recognition of revenue, applicable to all commercial contracts (except leases, insurance contracts and financial instruments).

Adoption of the new standard is aimed at:

- concentration of the revenue discipline in a single standard (five step model framework).
- introduction of a model based on the concept of transferring 'control';
- measuring revenue based on the amount the entity believes it is entitled to collect on fulfilling the contract;
- introduction of new, specific criteria for allocation of fees for goods and services in contracts;
- introduction of a specific discipline for the entry of 'variable' or 'potential' amounts.

The "*five step model framework*" is based on 5 crucial revenue calculation steps:

1) identification of the contract;
2) identification of the goods and services purpose of the contract;
3) definition of the transaction price;
4) allocation of the contractual obligations of the price's variable component;
5) transfer of the contract.

With IFRS 15 revenue is assessed considering the contractual terms and commercial practices generally applied to relations with customers. The transaction price is the fee amount (which can include fixed and variable amounts, or both) which the company believes it has a right to in exchange for transferring control of the goods/services promised. Control is generically considered the capacity to decide on use of the asset (goods/service) and to essentially obtain all the remaining benefits. The total fee of contracts for the supply of services is divided amongst all of them based on the sale price of the relative services, as if they had been sold singly.

For IFRS 15, in each contract the reference element for recognition of revenue is the single performance obligation. For each obligation to do, identified separately, the entity recognises revenue when (or gradually) as it fulfils the obligation itself, transferring the goods/service (that is the asset) promised to the customer. The asset is transferred when (or gradually as) the customer acquires control.

For the obligations to do fulfilled over time, revenue is recognised over time, assessing progress made towards full completion of the obligation. Models based on input or output data can be used to assess progress. The Group uses the input Method (cost-to-cost method). Based on that method, revenues are recognised based on the inputs used to fulfil the obligation up to that date, compared to the total inputs assumed to fulfil the entire obligation. When inputs are distributed uniformly over time, the Company recognises the corresponding revenues in a straightforward manner. In certain circumstances, when we cannot reasonably assess the result of the obligation to do, revenues are only recognised up to the amount of costs sustained.

Variable amounts

If the contractual fee includes a variable amount (for example following reductions, discounts, refunds, credit, price concessions, incentives, performance bonuses, penalties or because the fee itself depends on a certain future event occurring or not), the fee amount it is believed there is a right to has to be estimated. The Group estimates the variable amounts in a way that is consistent with similar types, using the expected value method or the value of the most likely amount; afterwards, it includes the estimated variable amount in the transition price solely if that amount is highly probable.

Presence of a significant financial component

Group revenues are adjusted in the presence of significant financial components, both if financed by the customer (early collection), and if financed directly (deferred collections). The presence of a significant financial component is identified when the contract is stipulated, comparing expected revenues with payments to be received. It is not recognised if there is a period of less than 12 months between the moment the goods/service is transferred and the moment of payment.

Costs for obtaining and fulfilling the contract

The Group capitalises costs sustained to obtain the contract, and which would not have been sustained if it had not been obtained (e.g. sales commissions), when it expects to recover them. The Group only capitalises costs sustained to fulfil the contract when they are directly related to the contract, consent to having new, greater resources for future compliance and when it expects to recover those costs.

Financial income and expense

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

Dividends

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

Income taxes

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

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

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

Current and deferred income taxes are recognised in the income statement except for those related to items directly recognised in other comprehensive income. Other current and deferred income taxes are offset when the income taxes are applied by the same tax authority, there is a legal right to offset and payment of the net balance is expected.

Other non-income taxes, such as property taxes, are recognised under operating costs.

Earnings per share

(i) Basic: basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares.

(ii) Diluted: diluted earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. The weighted average is adjusted assuming that all potential shares with diluting effects have been converted. Diluted earnings per share are not calculated if the Group makes a loss, as any dilutive effect would lead to an improvement in the earnings per share.

Transactions in currencies other than the functional currency

All transactions in currencies other than the functional currency of individual group companies are recognised at the exchange rate applicable at the transaction date.

Monetary assets and liabilities in currencies other than the functional currency are subsequently retranslated using the closing rate. Any resulting exchange rate gains or losses are recognised in the income statement.

Non-monetary assets and liabilities denominated in a currency other than the functional currency are recognised at historical cost and converted using the exchange rate in force at the date the transaction was first recognised.

Non-monetary assets and liabilities recognised at fair value are translated using the exchange rate in force at the date fair value was determined.

Translation of financial statements of foreign operations

The financial statements of subsidiaries, associates and joint ventures are prepared using the currency of the primary economic environment in which they operate (the functional currency).

The financial statements of group companies operating outside the Eurozone are translated into euros using the closing rate for the statement of financial position items and the average annual rate for the income statement items if no major fluctuations are detected in the reference period, in which case the exchange rate on the date of the transaction applies. Translation differences arising on the adjustment of opening equity at the closing spot rates and the differences arising from the different methods used to translate profit for the year are recognised in equity through the statement of comprehensive income and shown separately in a special reserve.

When a foreign operation is sold, the translation differences accumulated in the specific equity reserve are reclassified to profit or loss.

The main exchange rates used in translating the financial statements of companies with functional currencies other than the euro are as follows:

	31 December 2018	Average 2018	31 December 2017	Average 2017
Turkish lira – TRY	6.06	*	4.55	4.12
US dollar – USD	1.15	1.18**	1.20	1.13
British pound – GBP	0.89	0.88	0.89	0.88
Egyptian pound – EGP	20.55	21.04	21.34	20.15
Danish krone – DKK	7.47	7.45	7.45	7.44
Icelandic krona – ISK	133.20	127.68	124.30	120.42
Norwegian krone – NOK	9.95	9.60	9.84	9.33
Swedish krona – SEK	10.25	10.26	9.84	9.64
Malaysian ringgit – MYR	4.73	4.76	4.85	4.85
Chinese renminbi yuan – CNY	7.88	7.81	7.80	7.63

* For translation of the financial data of the Turkish companies, an average YTD exchange rate was applied till July 2018 and an average monthly exchange rate starting from August 2018.

** For the translation of the financial data of LWCC, the average YTD exchange rate was used from April 2018.

Use of estimates

The preparation of consolidated financial statements requires management to use accounting policies and methods that are sometimes based on difficult and subjective judgements, estimates based on past experience and assumptions that are considered reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the amounts presented in the financial statements and disclosures. The actual results for which these estimates and assumptions were used may differ due to the uncertainties that characterise the assumptions and the conditions on which the estimates were based.

The accounting policies and financial statements items that require greater subjective judgement by management when making estimates and for which a change in the conditions underlying the assumptions could have a significant impact on the Group's consolidated financial statements are the following:

- *Intangible assets with an indefinite life*: goodwill is tested for impairment annually to identify any impairment losses to be recognised in the income statement. Specifically, testing entails the calculation of the recoverable amount of the CGUs to which goodwill is allocated by estimating the related value in use or fair valueless costs to sell; if the recoverable amount is lower than the CGUs' carrying amount, the goodwill allocated to it is impaired. Allocation of goodwill to the CGUs and determination of their fair value involves the use of estimates that rely on factors that may change over time, with potentially significant effects compared to the valuations made by management.
- *Impairment losses on non-current assets*: in accordance with the Group's accounting policies, property, plant and equipment and intangible assets with a finite life are tested for impairment when indicators exist showing that recovery of the relative carrying amount through the assets' use is unlikely. Management makes use of subjective judgments based on information available within the Group and on the market as well as past experience to check the existence of these indicators. If there is indication of impairment, the Group determines impairment using valuation techniques deemed suitable. The correct identification of impairment indicators and the estimates used to determine impairment rely on factors that may vary over time, affecting management's judgement and estimates.
- *Amortisation and depreciation of non-current assets*: amortisation and depreciation are significant costs for the Group. The cost of property, plant and equipment is depreciated systematically over the assets' estimated useful life, which is determined by management when the asset is purchased on the basis of past experience of similar assets, market conditions and expectations about future events that could impact the assets' useful life, such as technological change. As such, effective useful life may differ from estimated useful life. The Group regularly assesses technological and sector changes, dismantlement costs and the recoverable amount to update useful life. This regular update could lead to a change in the depreciation period and, therefore, the amount of depreciation in future years. Management regularly reviews the estimates and assumptions and the effects of each change are recognised in the income statement. When the review affects current and future years, the change is recognised in the year in which it is made and in the related future years, as explained in more detail in the next section.

- *Purchase price allocation:* as part of business combinations, the identifiable assets purchased and the liabilities assumed are recognised in the consolidated financial statements at fair value on the acquisition date, through a Purchase price allocation process, against the consideration transferred to acquire the control of a company, which corresponds to the fair value of the assets acquired and the liabilities assumed, as well as of capital instruments issued. During the measurement period, the calculation of the aforementioned their values requires Directors to make estimates on the information available on all facts and circumstances that exist on the acquisition date and may affect the value of the acquired assets and assumed liabilities.
- *Estimate of the fair value of investment property:* at each reporting data investment property is measured at fair value and is not subject to depreciation. When determining their fair value, the Directors based their valuation on assumptions about the trend of the reference real estate market in particular. Such assumptions may vary over time, influencing evaluations and forecasts to be performed by the Directors.

Changes in accounting policies, errors and changes in estimates

The Group modifies the accounting policies adopted from one reporting period to another only if the change is required by a standard or contributes to providing more reliable and relevant information about the effects of transactions on the group's financial position, performance and cash flows.

Changes in accounting policies are recognised retrospectively in the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts shown for each previous period presented are adjusted as if the new accounting policy had always been applied. The prospective approach is only applied when it is impracticable to reconstruct the comparative amounts.

If a change in accounting policy is required by a new or revised standard, the change is accounted for as required by that new pronouncement or, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. If this is impracticable, it is applied prospectively.

This same approach is applied to material errors. Non-material errors are recognised in the income statement in the period in which the error is identified.

Changes in estimates are recognised prospectively in the income statement in the period in which the change takes place, if it only affects that period, or in the period in which the change takes place and subsequent periods, if the change also affects these periods.

Financial risk management

The Group is exposed to financial risks related to its operations, namely:

Credit risk

The Group is not particularly exposed to credit risk, despite operating in different geographical markets, as it is not overly exposed to a limited number of positions. Moreover, its operating procedures require checks on credit risk, with the sale of products and/or services limited to customers with suitable credit ratings and guarantees.

Receivables are recognised net of the loss allowance, calculated considering the rules set out by IFRS 9, as mentioned above. Therefore, the maximum exposure to credit risk is equivalent to the carrying amount.

With respect to bank deposits and derivatives, the Group has always worked with leading counterparties, thus limiting its credit risk in this sense.

Liquidity risk

Liquidity risk concerns the availability of financial resources and access to credit market and financial instruments.

Specifically, the Group monitors and manages its cash flows, funding requirements and liquidity levels in order to ensure the effective and efficient use of its financial resources.

It meets its liquidity requirements for investing activities, working capital and the payment of amounts payable drawing on cash flows generated constantly by its operating activities and on credit facilities.

The Group aims to maintain its ability to generate cash flows through operating activities, given the current market conditions. In fact, thanks to its strong financial position, any unplanned financial requirements can be funded through its access to credit facilities.

Market risk

Market risk mainly concerns exchange rates, interest rates and raw materials costs, as the Group operates internationally in areas with different currencies. It uses financial instruments to hedge these risks.

The Group monitors the financial risks to which it is exposed regularly so as to assess in advance any potential impacts and take the most suitable action to mitigate them; it does this through the use of derivatives.

Currency risk

Group companies operate internationally; as such they are structurally exposed to currency risk for cash flows from operating activities and financing operations in currencies other than the functional currency.

The Group's operating activities are exposed differently to changes in exchange rates: in particular the cement sector is exposed to currency risk on both revenues, for exports, and costs to purchase solid fuels in USD; whereas the ready-mixed concrete sector is less exposed as both revenue and costs are in local currency. The Group assesses the natural hedging of cash flows and financing for these risks and purchases currency forwards and currency put and call options for hedging purposes. Transactions involving derivatives are performed for hedging purposes.

The Group’s presentation currency is the euro. As a result, it is exposed to currency risk in relation to the translation of the financial statements of consolidated companies based in countries outside the Economic Monetary Area (except for Denmark whose currency is historically tied to the euro) . The income statements of these companies are translated into euros using the average annual rate in the event that changes in value are not significant, and changes in exchange rates may affect the value in euros, even when the revenue and profits in local currency remain unchanged. Pursuant to the IFRS, translation differences on assets and liabilities are recognised directly in equity in the translation reserve (note 13).

Interest rate risk

As the Group has net financial debt, it is exposed to the risk of fluctuations in interest rates. The Group purchases interest rate swaps to partly hedge the risk after assessing forecast interest rates and timeframes for the repayment of debt by using estimated cash flows.

The Group’s operating and financial policies aim to minimise the impact of these risks on its performance.

Raw materials price risk

The Group is exposed to the risk of fluctuations in raw materials prices. It manages this risk through supply agreements with Italian and foreign suppliers which set prices and quantities for roughly 12 months. It also uses suppliers in different geographical areas to avoid the risk of supply chain concentration and to obtain the most competitive prices.

Group's value

Stock market capitalisation of the Cementir share is currently lower than the Group's book equity (capitalisation on the Stock Market as at 31 December 2018 of EUR 816.3 million against Group Equity of EUR 993.4 million); that value is lower than the value based on Group fundamentals expressed by the economic value of its assets. It is felt that the Group's value should be calculated considering its ability to generate cash flows and not be based on Stock Market values which also reflect situations that are not strictly connected to the Group, with expectations focussed on the short-term. Furthermore, normally for companies performing Holding activities such as Cementir Holding SpA, the market discounts the cost of the Holding structure and attributes operating diseconomies compared to the purchase of the single underlying assets which, considered separately, express higher intrinsic values than their Stock market listings.

Segment reporting

In accordance with IFRS 8, the Group has identified its operating segments on the basis of the Parent's internal reporting system for management purposes.

The Group's operations are organised on a regional basis, divided into Regions that represent the following geographical areas: Nordic & Baltic, Belgium, North America, Eastern Mediterranean, Asia Pacific and Italy.

The Nordic & Baltic includes Denmark, Norway, Sweden, Iceland, Poland, Russia and the white cement operations in Belgium and France. Belgium, previously included in the Nordic & Baltic and US region, includes the activities of the Compagnie des Ciments Belges S.A. group in Belgium and France. North America includes the United States, previously included in the item Other in the Nordic & Baltic and USA Area. Turkey and Egypt are grouped into the Eastern Mediterranean area, while the Asia Pacific area includes China, Malaysia and Australia.

The Group's geographical segments consist of the non-current assets of each company based and operating in the above areas. Transfer prices applied to transactions between segments for the exchange of goods and services comply with normal market conditions.

The following table shows the performance of each operating segment in 2018:

(EUR'000)	Nordic & Baltic		Belgium	North America	Eastern Mediterranean		Asia Pacific	Italy	Unallocated items and adjustments	CEMENTIR HOLDING GROUP
	Denmark	**Other** *		**USA**	**Turkey**	**Egypt**				
Operating revenue	**380,156**	**256,831**	**246,341**	**126,704**	**193,502**	**28,476**	**94,313**	**89,459**	**(176,112)**	**1,239,670**
Intra-segment operating revenue	(88,463)	(3,127)	-	(953)	(1,620)	(1,356)	-	(80,593)	176,112	-
Contributed operating revenue	291,693	253,704	246,341	125,751	191,882	27,120	94,313	8,866	-	1,239,670
Segment result (EBITDA)	**96,331**	**22,211**	**54,560**	**17,160**	**22,961**	**3,211**	**19,472**	**2,598**	**-**	**238,504**
Amortisation, depreciation, impairment losses and provisions	(24,658)	(5,457)	(19,876)	(8,034)	(16,296)	(2,295)	(6,508)	(2,167)	-	(85,291)
EBIT	**71,673**	**16,754**	**34,684**	**9,126**	**6,665**	**916**	**12,964**	**431**	-	**153,213**
Net profit (loss) of equity-accounted investees	(16)	330	-	736	-	-	-	-	-	1,050
Net financial income	-	-	-	-	-	-	-	-	30,372	30,372
Profit before taxes	-	-	-	-	-	-	-	-	-	**184,635**
Income taxes	-	-	-	-	-	-	-	-	(35,866)	(35,866)
Profit for the year	-	-	-	-	-	-	-	-	-	**148,769**

The following table shows the performance of each operating segment in 2017:

(EUR'000)	Nordic & Baltic		Belgium	North America	Eastern Mediterranean		Asia Pacific	Italy	Unallocated items and adjustments	CEMENTIR HOLDING GROUP
	Denmark	**Other** *		**USA**	**Turkey**	**Egypt**				
Operating revenue	**381,921**	**252,869**	**232,635**	**17,924**	**222,957**	**36,891**	**84,240**	**46,105**	**(105,498)**	**1,170,044**
Intra-segment operating revenue	(55,450)	(4,201)	(724)	(933)	-	(381)	-	(43,809)	105,498	-
Contributed operating revenue	326,471	248,668	231,911	16,991	222,957	36,510	84,240	2,296	-	1,170,044
Sector result (EBITDA)	**95,832**	**21,060**	**43,913**	**693**	**31,806**	**11,647**	**19,100**	**(1,354)**	**-**	**222,697**
Amortisation, depreciation, impairment losses and provisions	(22,840)	(5,463)	(21,489)	(1,503)	(21,036)	(2,130)	(6,128)	(1,543)	-	(82,132)
EBIT	**72,992**	**15,597**	**22,424**	**(810)**	**10,770**	**9,517**	**12,972**	**(2,897)**	-	**140,565**
Net profit (loss) of equity-accounted investees	(336)	(123)	(16)	5,316	(56)	-	-	-	-	4,785
Net financial expense	-	-	-	-	-	-	-	-	(18,697)	(18,697)
Profit before taxes	-	-	-	-	-	-	-	-	-	**126,653**
Income taxes	-	-	-	-	-	-	-	-	(16,393)	(16,393)
Profit for the year	-	-	-	-	-	-	-	-	-	**110,260**

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

The following table shows other data for each geographical segment in 2018:

	Segment assets	Segment liabilities	Equity-accounted investments	Investments in property, plant and equipment and intangible asset
Nordic & Baltic:				
Denmark	507,594	273,739	2,666	21,126
Others*	126,201	60,034	888	7,766
Belgium	520,645	151,414	59	16,411
North America	305,372	39,598	-	4,619
Eastern Mediterranean:				
Turkey	349,491	54,088	-	10,084
Egypt	93,752	16,628	-	972
Asia Pacific	126,423	17,888	-	5,118
Italy	102,745	390,450	-	570
Total	**2,132,223**	**1,003,839**	**3,613**	**66,666**

The following table shows other data for each geographical segment in 2017:

	Segment assets	Segment liabilities	Equity-accounted investments	Investments in property, plant and equipment and intangible asset
Nordic & Baltic:				
Denmark	537,303	228,095	2,762	41,929
Others*	128,250	60,961	1,735	7,542
Belgium	510,774	259,821	59	14,763
North America	46,163	4,436	17,914	246
Eastern Mediterranean:				
Turkey	405,538	77,155	-	10,570
Egypt	92,562	17,653	-	3,197
Asia Pacific	137,637	15,661	-	3,252
Italy	499,102	677,888	-	4,351
of which held for sale	*431,829*	*117,873*	-	
Total	**2,357,329**	**1,341,670**	**22,470**	**85,850**

The following table shows revenue from third-party customers by geographical segment in 2018:

(EUR '000)	Nordic & Baltic		Belgium	North America	Eastern Mediterranean		Asia Pacific	Italy	Rest of the world	Total
	Denmark	Other *		USA	Turkey	Egypt				
Revenue by customer geographical location	**246,830**	**332,105**	**147,792**	**127,543**	**180,920**	**13,055**	**94,539**	**754**	**52,648**	**1,196,186**

* Other includes the operations in Norway, Sweden, Iceland, Poland and Russia.

Notes

1) Intangible assets with a finite useful life

At 31 December 2018, intangible assets with a finite useful life amounted to EUR 223,454 thousand (EUR 128,462 thousand at 31 December 2017). Concession rights and licences mainly consisted of concessions to use quarries and software licences for the IT system (SAP R/3). The increase for the period is mainly attributable to the recognition of a customer list for around EUR 81 million and the fair value of some contracts related to exclusive exploitation of quarries for EUR 19 million, both recognised as part of the PPA procedure for acquisition of LWCC, as described in Note 31.

Amortisation is applied over the assets' estimated useful life.

(EUR'000)	Development expenditure	Concessions, licences and trademarks	Other intangible assets	Assets under development and advances	Total
Gross amount at 1 January 2018	**1,988**	**31,629**	**141,232**	**1,363**	**176,212**
Increase	-	210	2,931	863	4,004
Decrease	(207)	(165)	(1,391)	-	(1,763)
Impairment losses	-	-	-	-	-
Change in consolidation scope	-	19,178	81,415	-	100,593
Exchange differences	5	1,171	5,299	6	6,481
Reclassifications	-	233	1,705	(1,747)	191
Gross amount at 31 December 2018	**1,786**	**52,256**	**231,191**	**485**	**285,718**
Amortisation at 1 January 2018	**1,906**	**14,940**	**30,904**	**-**	**47,750**
Amortisation and depreciation	82	2,833	13,674	-	16,589
Decrease	(207)	(29)	(1,368)	-	(1,604)
Change in consolidation scope	-	-	314	-	314
Exchange differences	5	(12)	(869)	-	(876)
Reclassifications	-	-	-	-	-
Amortisation at 31 December 2018	**1,786**	**17,732**	**42,655**	**-**	**62,173**
Net amount at 31 December 2018	**-**	**34,524**	**188,536**	**485**	**223,545**

The Group spent approximately EUR 2.2 million on research and development during the year (EUR 2.2 million at 31 December 2017), all of which was recognised in the income statement.

(EUR'000)	Development expenditure	Concessions, licences and trademarks	Other intangible assets	Assets under development and advances	Total
Gross amount at 1 January 2017	**2,006**	**27,477**	**132,940**	**722**	**163,145**
Increase	-	4,300	14,768	1,285	20,353
Decrease	-	-	-	-	-
Impairment losses	-	-	-	-	-
Reclassifications to assets held for sale	(2)	-	(5,490)	-	(5,492)
Exchange differences	(16)	(948)	(1,055)	(3)	(2,022)
Reclassifications		800	69	(641)	228
Gross amount at 31 December 2017	**1,988**	**31,629**	**141,232**	**1,363**	**176,212**
Amortisation at 1 January 2017	**1,766**	**13,854**	**22,884**	**-**	**38,504**
Amortisation and depreciation	156	1,289	10,890	-	12,335
Decrease	-	-	-	-	-
Reclassifications to assets held for sale	-	-	(2,182)	-	(2,182)
Exchange differences	(16)	(205)	(911)	-	(1,132)
Reclassifications	-	2	223	-	225
Amortisation at 31 December 2017	**1,906**	**14,940**	**30,904**	**-**	**47,750**
Net amount at 31 December 2017	**82**	**16,689**	**110,328**	**1,363**	**128,462**

2) Intangible assets with an indefinite useful life

The Group regularly tests intangible assets with an indefinite useful life, consisting of goodwill allocated to CGUs, for impairment.

At 31 December 2018, the item amounted to EUR 353,933 thousand (EUR 346,641 thousand at 31 December 2017). The increase for the year is attributable to the provisional recognition of goodwill deriving from the acquisition of control of LWCC, as described in Note 31. The following table shows CGUs by macro geographical segment.

								31.12.2018
	Nordic & Baltic		**North America**	**Eastern Mediterranean**		**Asia Pacific**	**Italy**	**Total**
	Denmark	**Other**	**USA**	**Turkey**	**Egypt**			
Opening balance	**230,679**	**25,564**	**-**	**85,546**	**1,784**	**3,068**	**-**	**346,641**
Increase	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Change in consolidation scope	-	-	24,971	-	-	-	-	24,971
Exchange differences	(40)	945	1,899	(20,622)	68	71	-	(17,679)
Reclassifications	-	-	-	-	-	-	-	-
Closing balance	**230,639**	**26,509**	**26,870**	**64,924**	**1,852**	**3,139**		**353,933**

								31.12.2017
	Nordic & Baltic		North America	Eastern Mediterranean		Asia Pacific	Italy	Total
	Denmark	Other	USA	Turkey	Egypt			
Opening balance	**230,111**	**31,794**	**-**	**101,095**	**1,993**	**3,214**	**6,935**	**375,142**
Increase	-	-	-	-	-	-	-	-
Decrease	-	-	-	-	-	-	-	-
Change in consolidation scope	-	-	-	-	-	-	(6,935)	(6,935)
Exchange differences	568	(3,196)	-	(18,583)	(209)	(146)	-	(21,566)
Reclassifications	-	-	-	-	-	-	-	-
Closing balance	**230,679**	**28,598**	**-**	**82,512**	**1,784**	**3,068**	**-**	**346,641**

In line with previous years, the Group tested the cash generating units (CGUs), to which goodwill had been allocated, for impairment.

CGUs are defined as the smallest identifiable group of assets that generates cash inflows which are largely independent of cash inflows generated by other assets or groups of assets. The Group's CGUs consist of companies and/or the specific facilities they operate and to which goodwill paid at acquisition was allocated.

At 31 December 2018, the Group represented the CGUs on the basis of its operating segments, consistent with corporate organisation. The CGU groupings for the "Nordic & Baltic" and "Eastern Mediterranean" include CGUs to which goodwill was allocated for the local acquisitions of companies and/or plants.

In particular, the "Nordic & Baltic" CGU includes the Aalborg Portland Group, Unicon Denmark and Unicon Norway, the "North America" CGU includes the United States, the "Eastern Mediterranean" CGU includes the Cimentas Group, Lalapasa, Sureko, Elazig Cimento, Neales and the Sinai White Cement Company and the "Asia Pacific" CGU includes Aalborg Portland Malaysia, China and Australia.

Impairment testing of the CGUs covered cash flows tied to the acquisition of the relative groups and consolidated at Cementir Holding level, to check goodwill generated upon acquisition by the Parent for impairment

Impairment testing involved comparing each CGU's carrying amount with its value in use, determined using the discounted cash flow (DCF) method applied to the future cash flows forecast by the three/five years plans prepared by the directors of each CGU. Cash flow projections were estimated using budget forecasts for 2019 (as approved by the Board of Directors of each subsidiary) and management forecasts for the following two/four years. The terminal values were determined using a perpetual growth rate.

The discount rate applied to the estimated future cash flows was determined for each CGU using a weighted average cost of capital (WACC).

Key assumptions to determine value in use of CGUs were as follows:

Values in %	31.12.2018 Growth rate of terminal values	31.12.2018 Discount rate	31.12.2017 Growth rate of terminal values	31.12.2017 Discount rate
Nordic & Baltic	1%	5-7%	1-2%	4-5.6%
North America	1%	7%	-	-
Eastern Mediterranean	3-4%	15-16.4%	2-4%	12-14%
Asia Pacific	3%	10-11%	3%	7.6-8%

The above tests did not identify any impairment at 31 December 2018.

A sensitivity analysis was performed assuming a hypothetical variation in the discount rate (WACC) and showed that the impairment test results were not sensitive to changes in input assumptions.

Specifically, a variation of approximately 3% in WACC, at the same conditions, would not result in the recognition of any impairment loss for all the CGUs listed above. Furthermore, a growth rate of terminal values equal to zero, at the same conditions, would not result in the recognition of any impairment loss for all the aforesaid CGUs.

Impairment testing took into consideration performance expectations for 2019. The Group made specific forecasts about its business performance for subsequent years considering the financial and market situation.

The input assumptions stated in the table above were applied to estimates and forecasts determined by on the basis of past experience and expected developments in the markets in which the Group operates. The Group constantly monitors circumstances and events that could lead to impairment losses based on developments in the current economic climate.

3) Property, plant and equipment

At 31 December 2018, property, plant and equipment amounted to EUR 789,499 thousand (EUR 759,840 thousand at 31 December 2017). The increase is mainly attributable to the recognition of property and plant of LWCC, as described in Note 31. Additional disclosures for each category of property, plant and equipment are set out below:

(EUR'000)	Land and buildings	Quarries	Plant and equipment	Other	Assets under construction and advances	Total
Gross amount at 1 January 2018	**472,658**	**187,229**	**1,412,230**	**75,609**	**47,412**	**2,195,138**
Increase	1,584	2,002	16,992	2,432	39,652	62,662
Decrease	(2,424)	(1,287)	(10,838)	(7,387)	(793)	(22,729)
Change in consolidation scope	35,027	919	61,443	3,994	3,653	105,036
Exchange differences	(14,759)	(840)	(50,881)	(4,811)	(227)	(71,518)
Reclassifications	(2,463)	945	43,280	592	(42,610)	(256)
Gross amount at 31 December 2018	**489,623**	**188,968**	**1,472,226**	**70,429**	**47,087**	**2,268,333**
Depreciation at 1 January 2018	**284,169**	**20,368**	**1,076,112**	**54,649**	**-**	**1,435,298**
Amortisation and depreciation	10,400	1,625	45,802	3,679	-	61,506
Decrease	(1,289)	(92)	(10,215)	(6,947)	-	(18,543)
Change in consolidation scope	12,721	122	35,147	2,580	-	50,570
Exchange differences	(6,694)	(525)	(39,778)	(3,000)	-	(49,997)
Reclassifications	(69)	-	69	-	-	-
Depreciation at 31 December 2018	**299,238**	**21,498**	**1,107,137**	**50,961**	**-**	**1,478,834**
Net amount at 31 December 2018	**190,385**	**167,470**	**365,089**	**19,468**	**47,087**	**789,499**

(EUR'000)	Land and buildings	Quarries	Plant and equipment	Other	Assets under construction and advances	Total
Gross amount at 1 January 2017	**590,591**	**215,794**	**1,806,635**	**91,340**	**53,375**	**2,757,735**
Increase	1,238	892	13,853	2,356	47,159	65,498
Decrease	(12)	(36)	(7,314)	(8,342)	-	(15,704)
Impairment losses	-	-	(3,468)	-	-	(3,468)
Reclassifications to assets held for sale	(97,265)	(28,700)	(359,126)	(5,482)	(20,500)	(511,073)
Exchange differences	(23,621)	(1,288)	(67,668)	(4,930)	(679)	(98,186)
Reclassifications	1,727	567	29,318	667	(31,943)	336
Gross amount at 31 December 2017	**472,658**	**187,229**	**1,412,230**	**75,609**	**47,412**	**2,195,138**
Depreciation at 1 January 2017	**319,430**	**24,044**	**1,307,908**	**66,884**	**-**	**1,718,266**
Amortisation and depreciation	11,291	1,396	43,599	3,970	-	60,256
Decrease	-	-	(6,350)	(7,860)	-	(14,210)
Reclassifications to assets held for sale	(36,253)	(4,834)	(222,723)	(4,643)	-	(268,453)
Exchange differences	(10,041)	(605)	(47,235)	(3,048)	-	(60,929)
Reclassifications	(258)	367	913	(654)	-	368
Depreciation at 31 December 2017	**284,169**	**20,368**	**1,076,112**	**54,649**	**-**	**1,435,298**
Net amount at 31 December 2017	**188,489**	**166,861**	**336,118**	**20,960**	**47,412**	**759,840**

At 31 December 2018, the recoverable amount of the CGU (Hereko) was estimated on the basis of its value in use, due to delays in capital expenditure which postponed full operation of the facilities and did not enable achievement of the earnings targets.

Key assumptions were based on assessments by management concerning future projections for the sector of reference and an historic analysis of internal and external factors of information. Future cash flows were considered until 2035, when the waste management agreement will expire.

Key assumptions used to estimate the recoverable amount of the CGU were:

- WACC of 15.9% (2017: 14.2%);
- growth rate of 5.5% (2017: 5.5%);
- EBITDA margin between 38% and 44% (2017: 40%-45%), in line with company forecasts starting from 2019 onwards.

Based on tests carried out, at 31 December 2018, the recoverable amount of the CGU was EUR 15 million against a carrying amount of EUR 14 million, making it possible to confirm the carrying amount of plants and machines.

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

At 31 December 2018, a total of EUR 111.4 million of property, plant and equipment (EUR 106.7 million at 31 December 2017) was pledged as collateral for bank loans totalling a residual EUR 135.5 million at the reporting date (EUR 105.8 million at 31 December 2017).

Contractual commitments in place at 31 December 2018 to purchase property, plant and equipment amounted to EUR 1.4 million (EUR 2.9 million at 31 December 2017). No financial expenses were capitalised in 2018, nor in 2017.

4) Investment property

Investment property of EUR 90,152 thousand (EUR 95,094 thousand at 31 December 2017) is recognised at fair value, calculated annually based on independent expert opinions.

(EUR'000)	31.12.2018			31.12.2017		
	Land	**Buildings**	**Total**	**Land**	**Buildings**	**Total**
Opening balance	**65,776**	**29,318**	**95,094**	**69,312**	**29,511**	**98,823**
Increase	-	-	**-**	-	-	**-**
Decrease	-	-	**-**	-	-	**-**
Fair value gains	11,161	356	**11,517**	9,495	586	**10,081**
Exchange differences	(15,508)	(951)	**(16,459)**	(13,031)	(779)	**(13,810)**
Reclassifications	-	-	**-**	-	-	**-**
Closing balance	**61,429**	**28,723**	**90,152**	**65,776**	**29,318**	**95,094**

At 31 December 2018, the investment property mainly included land and buildings of the Cimentas Group for EUR 61 million (EUR 65.9 million at 31 December 2017).

At 31 December 2018, approximately EUR 7.6 million of investment property was pledged as collateral for bank loans totalling a residual, undiscounted amount of approximately EUR 6.1 million at the reporting date.
The fair value of investment property was determined by independent property assessors who meet professionalism requirements, bearing in mind mainly the prices of other similar assets recently involved in transactions or currently offered on the same market.

5) Equity-accounted investments

The item includes the Group's share of equity in equity-accounted associates and joint ventures. The carrying amount of these investments and the Group's share of the investees' profit or loss are shown below:

Companies	Business	Registered office	% owned	**Carrying amount**	**Share of profit or loss**
31.12.2018					
Lehigh White Cement Company Joint Venture	Cement	Allentown (USA)	24.5%	-	736
Sola Betong AS	Ready-mixed concrete	Tananger (Norway)	33.3%	-	178
ECOL Unicon Spzoo	Ready-mixed concrete	Gdańsk (Poland)	49%	2,666	(16)
ÅGAB Syd Aktiebolag	Aggregates	Svedala (Sweden)	40%	888	152
EPI UK R&D	Research & development	Morden (UK)	50%	-	-
Recybel	Other	Liège-Flémalle (Belgium)	25.5%	59	-
Total				**3,613**	**1,050**

The Group's share of the profit, and relative ownership percentage, of Lehigh White Cement Company refers to the first quarter of 2018, before acquiring control on 29 March 2018, whereas its share of the profit and related ownership percentage, of Sola Betong refers to the first eleven months of the year before the investment was sold in December.
No indicators of impairment were identified for these investments.

Companies	Business	Registered office	% owned	**Carrying amount**	**Share of profit or loss**
31.12.2017					
Lehigh White Cement Company Joint Venture	Cement	Allentown (USA)	24.5%	17,914	5,316
Sola Betong AS	Ready-mixed concrete	Tananger (Norway)	33.3%	969	115
ECOL Unicon Spzoo	Ready-mixed concrete	Gdańsk (Poland)	49%	2,762	(336)
ÅGAB Syd Aktiebolag	Aggregates	Svedala (Sweden)	40%	766	(238)
EPI UK R&D	Research & development	Morden (UK)	50%	-	(56)
Recybel	Other	Liège-Flémalle (Belgium)	25.5%	59	(16)
Total				**22,470**	**4,785**

6) Other investments

(EUR'000)	31.12.2018	31.12.2017
Available-for-sale equity investments *Opening balance*	**221**	**571**
Increase (decrease)	-	-
Fair value gains (losses)	-	-
Change in consolidation scope	-	-
Reclassifications to assets held for sale	-	(340)
Exchange differences	(11)	(10)
Available-for-sale equity investments *Closing balance*	**210**	**221**

No indicators of impairment were identified.

7) Inventories

The carrying amount of inventories approximates their fair value; a breakdown of the item is shown below:

(EUR'000)	31.12.2018	31.12.2017
Raw materials, consumables and supplies	99,500	78,167
Work in progress	39,788	22,570
Finished goods	44,497	25,344
Advances	990	646
Inventories	**184,775**	**127,727**

Changes were recorded over the period in the different inventory categories as a result of manufacturing processes and sales, the costs of factors of production and the foreign exchange rates used to translate financial statements stated in foreign currencies.

The decrease in raw materials, consumables and supplies, totalling EUR 19,747 thousand (decrease of EUR 13,108 thousand at 31 December 2017) was expensed in the income statement as "Raw material costs" (Note 23). The increase in work in progress and finished goods was recorded in the income statement for a total of EUR 12,378 thousand (positive EUR 623,000 thousand at 31 December 2017).

8) Trade receivables

Trade receivables totalled EUR 163,553 (EUR 160,629 thousand at 31 December 2017) and break down as follows:

(EUR'000)		31.12.2018	31.12.2017
Trade receivables		167,507	159,623
Loss allowance		(8,527)	(5,952)
Net trade receivables		**158,980**	**153,671**
Advances to suppliers		4,430	1,066
Trade receivables - related parties	(note 34)	143	5,892
Trade receivables		**163,553**	**160,629**

The carrying amount of trade receivables equals their fair value. They arise on commercial transactions for the sale of goods and services and do not present any significant concertation risks.

The breakdown by due date is shown below:

(EUR'000)	**31.12.2018**	**31.12.2017**
Not yet due	123,045	113,322
Overdue:	44,462	46,301
0-30 days	*23,458*	*21,263*
30-60 days	*9,541*	*8,864*
60-90 days	*2,844*	*5,778*
More than 90 days	*8,619*	*10,396*
Total trade receivables	167,507	159,623
Loss allowance	(8,527)	(5,952)
Net trade receivables	**158,980**	**153,671**

9) Current and non-current financial assets

Non-current financial assets of EUR 1,490 thousand (EUR 2,176 thousand at 31 December 2017) mainly refer to financial items which will be expensed upon termination of the financing contract signed by Cementir Holding SpA.

Current financial assets totalled EUR 840,000 thousand (EUR 1,067 thousand 31 December 2017) and break down as follows:

(EUR'000)		**31.12.2018**	**31.12.2017**
Fair value of derivatives		71	335
Accrued income/ Prepayments		768	730
Loan assets - related parties	(note 34)	-	-
Other loan assets		1	2
Current financial assets		**840**	**1,067**

10) Current tax assets

Current tax assets, totalling EUR 9,226 thousand (EUR 7,060 thousand at 31 December 2017), mainly refer to IRES and IRAP payments on account to tax authorities, approximately EUR 3.4 million, withholdings (EUR 2.7 million) and IRES refunds requested for the non-deductibility of IRAP in previous years (approximately EUR 1 million).

11) Other current and non-current assets

Other non-current assets totalled EUR 7,112 thousand (EUR 8,296 thousand at 31 December 2017) and mainly consisted of VAT assets and deposits.

Other current assets totalled EUR 24,888 thousand (EUR 18,511 thousand at 31 December 2017) and consisted of non-commercial items. The item breaks down as follows:

(EUR'000)		31.12.2018	31.12.2017
VAT assets		11,080	4,040
Personnel		293	261
Accrued income		256	276
Prepayments		3,790	3,986
Other receivables		9,469	9,948
Other receivables with related parties	(note 34)	-	-
Other current assets		**24,888**	**18,511**

12) Cash and cash equivalents

Totalling EUR 232,614 thousand (EUR 214,528 thousand at 31 December 2017), the item consists of liquidity held by the Group, which is usually invested in short-term financial transactions. The item breaks down as follows:

(EUR'000)		31.12.2018	31.12.2017
Bank and postal deposits		232,298	214,129
Bank deposits - related parties	(note 34)	-	-
Cash-in-hand and cash equivalents		316	399
Cash and cash equivalents		**232,614**	**214,528**

The change is attributable to the inclusion of LWCC in the scope of consolidation and to the cash flow generation of the subsidiary CCB.

13) Equity

Equity attributable to the owners of the parent

Equity attributable to the owners of the parent amounted to EUR 997,146 thousand at 31 December 2018 (EUR 956,188 thousand at 31 December 2017). Profit for 2018 attributable to the owners of the parent totalled EUR 127,194 thousand (EUR 71,471 thousand in 2017).

Share capital

The Parent's share capital consists of 159,120,000 ordinary shares with a par value of EUR 1 each. It is fully paid-up and has not changed with respect to the previous year end. There are no pledges or restrictions on the shares.

Translation reserve

At 31 December 2018, the translation reserve had a negative balance of EUR 570,236 thousand (negative EUR 500,469 thousand at 31 December 2017), broken down as follows:

(EUR'000)	31.12,2018	31.12.2017	Change
Turkey (Turkish lira – TRY)	(509,190)	(436,117)	(73,073)
USA (US dollar – USD)	3,212	(811)	4,023
Egypt (Egyptian pound – EGP)	(65,613)	(63,261)	(2,352)
Iceland (Icelandic krona – ISK)	(2,539)	(2,337)	(202)
China (Chinese renminbi yuan – CNY)	7,596	7,543	53
Norway (Norwegian krone – NOK)	(5,470)	(5,542)	72
Sweden (Swedish krona – SEK)	(1,102)	(766)	(336)
Other countries	2,870	822	2,048
Total translation reserve	**(570,236)**	**(500,469)**	**(69,767)**

Other reserves

At 31 December 2018, other reserves amounted to EUR 1,213,533 thousand (EUR 1,158,531 thousand at 31 December 2017) and consisted primarily of retained earnings, totalling EUR 992,146 thousand (EUR 904,698 thousand at 31 December 2017) and the fair value reserve connected to changes in the designation of use of certain items of property, plant and equipment, totalling EUR 55,705 thousand (EUR 55,705 thousand at 31 December 2017).

Equity attributable to non-controlling interests

Equity attributable to non-controlling interests amounted to EUR 131,238 thousand at 31 December 2018 (EUR 59,470 thousand at 31 December 2017). Profit for 2018 attributable to non-controlling interests totalled EUR 8,466 thousand (EUR 5,695 thousand in 2017). The increase for the period is attributable to the full consolidation of the company LWCC as of 29 March 2018.

Subsidiaries with material non-controlling interests

	Aalborg Portland Malaysia		**AB Sydsten**	
(EUR'000)	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Revenue	**44,777**	**38,966**	**67,249**	**69,451**
Profit for the year:	**1,823**	**3,393**	**5,140**	**3,505**
- attributable to the owners of the Parent	*1,276*	*2,375*	2,501	1,673
- attributable to non-controlling interests	*547*	*1,018*	2,639	1,832
Other comprehensive expense	(1,088)	(1,272)	(1,020)	(808)
Comprehensive income for the year	**2,911**	**2,121**	**4,120**	**2,697**
Assets:	**59,417**	**58,497**	**50,700**	**48,916**
- Non-current assets	*28,278*	*27,291*	*20,313*	*20,842*
- Current assets	*31,139*	*31,206*	*30,387*	*28,074*
Liabilities:	**9,078**	**8,538**	**26,089**	**25,186**
- Non-current liabilities	*1,347*	*1,183*	*11,526*	*11,409*
- Current liabilities	*7,731*	*7,355*	*14,563*	*13,777*
Net assets	**50,339**	**49,959**	**24,611**	**23,730**
- attributable to the owners of the Parent	*35,237*	*34,971*	*11,729*	*11,286*
- attributable to non-controlling interests	*15,102*	*14,988*	*12,882*	*12,444*
Net change in cash flow	**4,376**	**4,806**	**7,296**	**6,583**
Dividends paid to third parties	**742**	**-**	**1,660**	**1,162**

(EUR'000)	**Lehigh White Cement Company** 31.12.2018	31.12.2017	**Sinai White Portland Cement** 31.12.2018	31.12.2017
Revenue	**104,303**	**-**	**27,375**	**36,443**
Profit for the year:	**11,204**	**-**	**1,649**	**6,292**
- attributable to the owners of the Parent	*7,086*	-	*1,114*	*3,714*
- attributable to non-controlling interests	*4,118*	-	*535*	*2,578*
Other comprehensive income (expense)	23	-	3,130	(8,344)
Comprehensive income for the year	**11.227**	**-**	**4,779**	**(2,052)**
Assets:	**246,469**	**-**	**93,927**	**92,759**
- Non-current assets	*177,194*	-	*35,520*	*35,513*
- Current assets	*69,275*	-	*58,407*	*57,246*
Liabilities:	**34,325**	**-**	**19,484**	**18,196**
- Non-current liabilities	*18,224*	-	*8,201*	*8,710*
- Current liabilities	*16,101*	-	*11,283*	*9,486*
Net assets	**212,144**	**-**	**74,443**	**74,563**
- attributable to the owners of the Parent	*133,493*	-	*52,937*	*49,525*
- attributable to non-controlling interests	*78,651*	-	*21,506*	*25,038*
Net change in cash flow	**10,458**	**-**	**1,533**	**10,352**
Dividends paid to third parties	**974**	**-**	**1,598**	**-**

14) Employee benefits

Employee benefits totalled EUR 31,777 thousand (EUR 34,598 thousand at 31 December 2017) and included provisions for employee benefits and post-employment benefits. Where conditions are met for their recognition, liabilities are also recognised for future commitments connected with medium/long-term incentive plans that will be paid to employees at the end of the plan period. The long-term incentive plan envisages the payment of a variable monetary reward, calculated on the basis of the gross annual salary of the beneficiary, which is tied to the achievement of the business and financial objectives in the 2018-2020 business plan. It amounted to EUR 1,004 thousand at 31 December 2018.

Liabilities for employee benefits, mainly in Turkey, Belgium and Norway, are included in the defined benefit plans and are partly funded by insurance plans. In particular, plan assets refer to the pension plans in Belgium and Norway. Liabilities are valued applying actuarial methods and assets have been calculated based on the fair value at the reporting date. Post-employment benefits are an unfunded and fully provisioned liability recognised for benefits attributable to employees upon or after termination of employment. As they are defined benefit plans, actuarial assumptions are used for their measurement: the assumptions are summarised in the table below:

Values in %	31.12.2018	31.12.2017
Annual discount rate	1.15%-3%	0.90%-3%
Expected return on plan assets	3%	2%
Annual post-employment benefits growth rate	2.62%	2.62%

The amounts disclosed in the statement of financial position were determined as follows:

(EUR'000)	31.12.2018	31.12.2017
Liabilities for employee benefits	59,170	59,655
Fair value of plan assets	(28,397)	(26,526)
Employee benefits	**30,773**	**33,129**

The tables below show changes in the net liabilities / (assets) for employee benefits and the related parts:

(EUR'000)	31.12.2018	31.12.2017
Liabilities for employee benefits *opening balance*	**59,655**	**66,664**
Current service cost	1,682	607
Interest cost	920	980
Net actuarial gains recognised in the year	351	3,600
Reclassifications to liabilities associated with assets held for sale	-	(7,451)
Change in consolidation scope	-	-
Exchange differences	(1,693)	(1,430)
Other changes	-	-
(Benefits paid)	(1,745)	(3,314)
Liabilities for employee benefits *closing balance*	**59,170**	**59,655**

(EUR'000)	31.12.2018	31.12.2017
Fair value of plan assets *opening balance*	**26,526**	**25,144**
Financial income on plan assets	344	375
Net actuarial gains recognised in the year	745	473
Change in consolidation scope	-	-
Exchange differences	(254)	(84)
Other changes	-	-
(Benefits paid)	1,036	617
Fair value of plan assets *closing balance*	**28,397**	**26,526**

15) Provisions

Non-current and current provisions amounted to EUR 27,804 thousand (EUR 29,426 thousand at 31 December 2017) and EUR 15,525 thousand (EUR 2,869 thousand at 31 December 2017) respectively.

(EUR'000)	Quarry restructuring provision	Litigation provision	Other provisions	Total provisions
Balance at 1 January 2018	**25,226**	**2,051**	**5,018**	**32,295**
Provisions	330	3,012	11,215	**14,557**
Utilisations	(1,202)	(68)	(1,369)	**(2,639)**
Decrease	-	(128)	(115)	**(243)**
Change in consolidation scope	-	-	657	**657**
Exchange differences	(990)	(425)	46	**(1,369)**
Reclassifications	(199)	134	136	**71**
Other changes	-	-	-	**-**
Balance at 31 December 2018	**23,165**	**4,576**	**15,588**	**43,329**
Including:				
Non-current provisions	22,904	971	3,929	**27,804**
Current provisions	261	3,605	11,659	**15,525**

(EUR'000)	Quarry restructuring provision	Litigation provision	Other provisions	Total provisions
Balance at 1 January 2017	**25,965**	**5,661**	**7,125**	**38,751**
Provisions	686	116	3,473	**4,275**
Utilisations	(18)	(1,747)	(185)	**(1,950)**
Decrease	(172)	(1,230)	(18)	**(1,420)**
Reclassifications to liabilities associated with assets held for sale	(385)	(589)	(4,963)	**(5,937)**
Exchange differences	(1,061)	(369)	(74)	**(1,504)**
Reclassifications	211	209	(340)	**80**
Other changes	-	-	-	**-**
Balance at 31 December 2017	**25,226**	**2,051**	**5,018**	**32,295**
Including:				
Non-current provisions	24,925	802	3,699	**29,426**
Current provisions	301	1,249	1,319	**2,869**

The provision for quarry restructuring is allocated for the cleaning and maintenance of quarries where raw materials are extracted, to be performed before the utilisation concession expires.

Other provisions mainly consist of environmental provisions totalling approximately EUR 2 million (EUR 1 million at 31 December 2017), provision for risks for corporate restructuring costs totalling EUR 2 million and provisions for other risks and charges against some clauses contained in the transfer agreement of the Italian assets.

16) Trade payables

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

(EUR'000)		31.12.2018	31.12.2017
Suppliers		223,967	201,133
Related parties	(note 34)	501	58
Advances		3,741	3,013
Trade payables		**228,209**	**204,204**

17) Financial liabilities

Non-current and current financial liabilities are shown below:

(EUR'000)		31.12.2018	31.12.2017
Bank loans and borrowings		450,980	696,090
Non-current loan liabilities - related parties	(note 34)	-	-
Fair value of derivatives		10,482	-
Non-current financial liabilities		**461,462**	**696,090**
Bank loans and borrowings		-	11,023
Current portion of non-current financial liabilities		14,617	41,994
Current loan liabilities - related parties	(note 34)	-	-
Other loan liabilities		2,608	1,076
Fair value of derivatives		10,182	8,683
Current financial liabilities		**27,407**	**62,776**
Total financial liabilities		**488,869**	**758,866**

The carrying amount of non-current and current financial liabilities approximates their fair value.

Non-current financial liabilities mainly refer to the loan agreement with a pool of banks and to the loan instalments of the Danish subsidiary Aalborg Portland A/S. Moreover, at 31 December 2018, financial exposure totalled EUR 488.9 million and improved compared to the previous year. In fact, non-current financial liabilities dropped due to the full repayment of the term loan credit line for the residual value of EUR 294 million in February and October. This event is also affected on current financial liabilities amounting to EUR 27.4 million, better than the EUR 62.8 million at the previous yearend.

Derivatives purchased to hedge interest rate, commodity price and currency risks connected with liabilities falling due between March 2018 and February 2027 had a negative fair value of approximately EUR 20.7 million at 31 December 2018 (approximately negative EUR 8.7 million at 31 December 2017). The fair value is partly due to the Group's agreement of a hedging derivative for the acquisition of Lehigh Cement Company finalised in the first half of the year.

About 95.0% of these financial liabilities requires compliance with financial covenants which were complied with at 31 December 2018. In particular, financial covenants to be complied with are the Group's debt/EBITDA ratio and the EBITDA/ net financial expenses ratio. The Group's exposure, broken down by residual expiry of the financial liabilities, is as follows:

(EUR'000)	**31.12.2018**	**31.12.2017**
Within three months	4,735	8,867
Between three months and one year	22,672	53,909
Between one and two years	13,621	75,327
Between two and five years	374,145	561,217
After five years	73,696	59,546
Total financial liabilities	**488,869**	**758,866**

(EUR'000)	**31.12.2018**	**31.12.2017**
Floating rate	488,741	758,812
Fixed rate	128	54
Financial liabilities	**488,869**	**758,866**

As required by CONSOB Communication 6064293 of 28 July 2006, the Group's net financial debt is shown in the next table:

(EUR'000)	**31.12.2018**	**31.12.2017***
A. Cash	316	399
B. Other cash equivalents	232,298	214,129
C. Securities held for trading	-	-
D. Cash and cash equivalents	**232,614**	**214,528**
E. Current loan assets	**840**	**1,067**
F. Current bank loans and borrowings	-	(11,023)
G. Current portion of non-current debt	(1,982)	(32,439)
H. Other current loan liabilities	(25,425)	(19,314)
I. Current financial debt (F+G+H)	**(27,407)**	**(62,776)**
J. Net current financial debt (I-E-D)	**206,047**	**152,819**
K. Non-current bank loans and borrowings	(461,462)	(696,090)
L. Bonds issued	-	-
M. Other non-current liabilities	-	-
N. Non-current financial debt (K+L+M)	**(461,462)**	**(696,090)**
O. Net financial debt (J+N)	**(255,415)**	**(543,271)**

*Net financial debt at 31 December 2017 excludes the financial assets and liabilities of the Italian companies held for sale.

18) Current tax liabilities

Current tax liabilities amounted to EUR 13,737 thousand (EUR 16,420 thousand at 31 December 2017) and relate to income tax liabilities, net of payments on account.

19) Other non-current and current liabilities

Other non-current liabilities, totalling EUR 4,768 thousand (EUR 5,020 thousand at 31 December 2017) included approximately EUR 4.1 million of deferred income (EUR 4.9 million at 31 December 2017) relating to future benefits from a business agreement which started to accrue from 1 January 2013, of which EUR 3.3 million is expected within the next five years and EUR 0.8 million (EUR 1.6 million at 31 December 2017) is expected after five years.

Other current liabilities totalled EUR 47,868 (EUR 44,850 at 31 December 2017) and break down as follows:

(EUR'000)		31.12.2018	31.12.2017
Personnel		24,914	24,857
Social security institutions		3,152	3,658
Related parties	(note 34)	6	58
Deferred income		1,035	1,271
Accrued expenses		1,151	1,361
Other sundry liabilities		17,610	13,645
Other current liabilities		**47,868**	**44,850**

Deferred income refers to the future benefits of the above-mentioned business agreement (approximately EUR 0.8 million in line with 31 December 2017).

Other sundry liabilities mainly include amounts due to the revenue office for employee withholdings, VAT and other liabilities for the result of the Antitrust proceedings commenced by the competent Antitrust Authority (AGCM) and as per decision by the Council of State in the hearing of 7 February 2019 of EUR 5,090 thousand.

20) Deferred tax assets and liabilities

Deferred tax liabilities totalling EUR 145,282 thousand (EUR 127,544 thousand at 31 December 2017) and deferred tax assets totalling EUR 46,772 thousand (EUR 33,778 thousand at 31 December 2017) break down as follows:

(EUR'000)	Deferred tax liabilities	Deferred tax assets
Balance at 1 January 2018	**127,544**	**33,778**
Accrual, net of utilisation in profit or loss	1,842	548
Increase, net of decreases in equity	1,173	839
Change in consolidation scope	16,834	13,334
Exchange differences	(2,111)	(1,232)
Other changes	-	(495)
Balance at 31 December 2018	**145,282**	**46,772**

(EUR'000)	Deferred tax liabilities	Deferred tax assets
Balance at 1 January 2017	**154,240**	**80,870**
Accrual, net of utilisation in profit or loss	(20,931)	1,283
Increase, net of decreases in equity	1,717	618
Change in consolidation scope	-	-
Exchange differences	(5,047)	(1,684)
Other changes	(2,020)	(1,999)
Reclassifications to assets/liabilities held for sale	(415)	(45,308)
Balance at 31 December 2017	**127,544**	**33,778**

(EUR'000)	01.01.2018	Accrual, net of utilisation in profit or loss	Increase, net of decreases in equity	31.12.2018
Fiscally-driven depreciation of property, plant and equipment	82,632	584	(259)	82,957
Fiscally-driven amortisation of intangible assets	24,035	(477)	-	23,558
Revaluation of plant	12,142	1,104	1,008	14,254
Other	8,735	631	15,147	24,513
Deferred tax liabilities	**127,544**	1,842	15,896	**145,282**
Tax losses carried forward	23,131	(1,731)	(2,689)	18,711
Provisions for risks and charges	1,615	1,281	(220)	2,676
Differences in property, plant and equipment	1,749	(55)	(766)	928
Other	7,283	1,053	16,121	24,457
Deferred tax assets	**33,778**	548	12,446	**46,772**

(EUR'000)	01.01.2017	Accrual, net of utilisation in profit or loss	Increase, net of decreases i n equity	31.12.2017
Fiscally-driven depreciation of property, plant and equipment	106,969	(19,574)	(4,763)	82,632
Fiscally-driven amortisation of intangible assets	32,933	(7,503)	(1,395)	24,035
Revaluation of plant	9,078	2,664	400	12,142
Other	5,260	3,482	(7)	8,735
Deferred tax liabilities	**154,240**	(20,931)	(5,765)	**127,544**
Tax losses carried forward	53,121	4,162	(34,152)	23,131
Provisions for risks and charges	6,225	(95)	(4,515)	1,615
Differences in property, plant and equipment	10,095	(4,796)	(3,550)	1,749
Other	11,429	2,012	(6,158)	7,283
Deferred tax assets	**80,870**	1,283	(48,375)	**33,778**

Recovery of the deferred tax assets is expected in the following years within the timeframe defined by the relevant legislation.

21) Revenue

(EUR'000)		2018	2017
Product sales		1,104,591	1,038,483
Product sales to related parties	(note 34)	632	21,002
Services		90,963	80,521
Revenue		**1,196,186**	**1,140,006**

In 2018 revenue grew 4.9% compared to 2017, due to the change in the scope of consolidation, which caused an increase in revenue of about EUR 104.3 million related to Lehigh White Cement Company, consolidated as of 1 April 2018.

On a like-for-like basis revenue dropped 4.2% due mainly to the significant reduction in revenue in Turkey, caused by the unfavourable exchange rate with the euro, and to the contraction in sales in Egypt. The caption Services is mainly related to transport services as well as catering and fuels handling services in Turkey.

Revenue by product is shown below:

2018	**Nordic & Baltic**		**Belgium**	**North America**	**Eastern Mediterranean**		**Asia Pacific**	**Italy**	Unallocated items and adjustments	**CEMENTIR HOLDING GROUP**
(EUR'000)	**Denmark**	**Other** *		**USA**	**Turkey**	**Egypt**				
Cement	245,608	54,781	118,037	105,656	116,644	27,375	90,441	-	*(58,369)*	**700,172**
Ready-mixed concrete	132,261	200,270	74,444	-	45,618	-	-	-	*(3,127)*	**453,466**
Aggregates	4,226	-	55,540	-	-	-	2,904	-	-	**62,670**
Waste	-	-	-	-	16,092	-	-	-	-	**16,092**
Other	-	-	-	13,524	16,029	-	-	78,023	*(15,219)*	**92,357**
Unallocated items and	*(29,889)*	-	-	-	*(20,377)*	-	*(2,835)*	-	*(75,470)*	***(128,572)***
Revenue	**356,206**	**255,052**	**248,021**	**119,180**	**174,006**	**27,375**	**90,509**	**78,023**	***(152,186)***	**1,196,186**

2017	**Nordic & Baltic**		**Belgium**	**North America**	**Eastern Mediterranean**		**Asia Pacific**	**Italy**	Unallocated items and adjustments	**CEMENTIR HOLDING GROUP**
(EUR'000)	**Denmark**	**Other** *		**USA**	**Turkey**	**Egypt**				
Cement	246,178	40,374	108,297	2,784	146,566	36,443	82,935	-	*(29,746)*	**633,829**
Ready-mixed concrete	139,025	211,790	74,887	-	45,220	-	-	-	*(3,920)*	**467,002**
Aggregates	4,254	-	50,228	-	-	-	2,740	-	-	**57,221**
Waste	-	-	-	-	24,264	-	-	-	-	**24,264**
Other	-	-	225	11,255	17,603	-	-	38,437	*(11,700)*	**55,820**
Unallocated items and	*(30,664)*	-	-	-	*(22,718)*	-	*(2,579)*	*(2,600)*	*(39,569)*	***(98,131)***
Revenue	**358,793**	**252,163**	**233,636**	**14,039**	**210,935**	**36,443**	**83,095**	**35,837**	***(84,936)***	**1,140,006**

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

22) Increase for internal work and other operating revenue

Increase for internal work of EUR 6,648 thousand (EUR 7,344 thousand in 2017) refers to the capitalisation of costs of materials and personnel costs used in the realisation of property, plant and equipment and intangible fixed assets.

Other operating revenue of EUR 24,458 thousand (EUR 22,071 thousand in 2016) breaks down as follows:

(EUR'000)		2018	2017
Rent, lease and hires		1,635	1,371
Rent, lease and hires - related parties	(note 34)	32	32
Gains		4,180	849
Release of provision for risks		243	1,420
Insurance refunds		15	3,764
Revaluation of investment property	(note 4)	11,517	10,081
Other revenue and income		6,834	4,548
Other revenue and income from related parties	(note 34)	2	6
Other operating revenue		**24,458**	**22,071**

23) Raw materials costs

(EUR'000)	2018	2016
Raw materials and semi-finished products	260,134	234,062
Fuel	114,639	106,677
Electrical energy	77,879	75,142
Other materials	46,378	41,388
Change in raw materials, consumables and goods	(19,747)	(13,108)
Raw materials costs	**479,283**	**444,161**

The cost of raw materials was EUR 479.3 million, up due to the change in the scope of consolidation (EUR 59.3 million). On a like-for-like basis, the cost of raw materials dropped thanks to a positive exchange rate effect and the reduction in activity volumes in Egypt and Norway, almost completely counterbalanced by the generalised increase in the price of fuel on international markets.

24) Personnel costs

(EUR'000)	2017	2017
Wages and salaries	142,291	139,086
Social security charges	25,301	26,080
Other costs	8,734	9,582
Personnel costs	**176,326**	**174,748**

The Group's workforce breaks down as follows:

	31.12.2018	31.12.2017	2018 average	2017 average
Executives	72	68	71	86
Middle management, white-collar workers and intermediates	1,313	1,293	1,310	1,549
Blue-collar workers	1,698	1,660	1,672	1,905
Total	**3,083**	**3,021**	**3,053**	**3,540**

More specifically, at 31 June 2018, employees in service at the Parent and the other direct subsidiaries numbered 72 (82 at 31 December 2017); those at the Cimentas Group numbered 819 (885 at 31 December 2017), those at the Aalborg Portland Group numbered 1,053 (913 at 31 December 2017), those at the Unicon Group numbered 664 (670 at 31 December 2017), and those at the CCB Group numbered 475 (471 at 31 December 2017).

25) Other operating costs

(EUR'000)		2018	2017
Transport		154,853	139,436
Services and maintenance		95,334	95,187
Consultancy		12,353	10,435
Insurance		4,190	5,048
Other services - related parties	(note 34)	515	510
Rent, lease and hires		25,995	21,648
Rent, lease and hires - related parties	(note 34)	1,596	170
Other operating costs		50,720	56,004
Other operating costs		**345,556**	**328,438**

26) Amortisation, depreciation, impairment losses and provisions

(EUR'000)	2018	2017
Amortisation	16,588	12,334
Depreciation	61,506	60,256
Provisions	4,091	3,865
Impairment losses	3,106	5,677
Amortisation, depreciation, impairment losses and provisions	**85,291**	**82,132**

Impairment losses refer to EUR 3.1 million for trade receivables.

27) Net financial income (expense) and share of net profits of equity-accounted investees

The positive balance for 2018 of EUR 31,422 thousand (negative EUR 13,912 thousand in 2017) relates to the share of net profits of equity-accounted investees and net financial income, broken down as follows:

(EUR'000)		2018	2017
Share of profits of equity-accounted investees		1,067	5,431
Share of losses of equity-accounted investees		(17)	(646)
Share of net profits of equity-accounted investees		**1,050**	**4,785**
Interest and financial income		4,528	3,657
Interest and financial income - related parties	(note 34)	-	16
Grants related to interest		-	-
Financial income on derivatives		23,817	9,795
Revaluation of equity investments		42,490	-
Total financial income		*70,835*	*13,468*
Interest expense		(14,280)	(19,524)
Other financial expense		(9,384)	(7,265)
Interest and financial expense - related parties	(note 34)	-	-
Losses on derivatives		(4,481)	(127)
Total financial expense		*(28,145)*	*(26,916)*
Exchange rate gains		5,718	5,423
Exchange rate losses		(18,036)	(10,672)
Net exchange rate losses		*(12,318)*	*(5,249)*
Net financial income (expense)		**30,372**	**(18,697)**
Net financial income (expense) and share of net profits of equity-accounted investees		**31,422**	**(13,912)**

In 2018, net financial income was EUR 30.4 million compared to the previous year (net financial expense EUR 18.7 million in 2017). That result includes for EUR 40.1 million the fair value remeasurement of the Group's investment in LWCC, as required by IFRS 3 - "Business Combination". Moreover, the balance reflects of financial expense (EUR 28.1 million compared to 26.9 million in 2017) of the Group's debt structure and exchange rate losses, partly counterbalanced by the increase in financial income, the gain on certain commodity, currency and interest rate hedging instruments (positive EUR 23.8 million compared to EUR 9.8 million in 2016).

The share of net profits of equity-accounted investees was EUR 1.1 million, down compared to the previous period following inclusion of Lehigh White Cement Company in the consolidation scope in April.

Financial income and expense on derivatives mainly reflect the mark-to-market accounting of derivatives purchased to hedge currency, interest rate and commodity risks. In the light of the aforementioned measurements, around EUR 3.3 million (around EUR 5.4 million at 31 December 2017) are unrealised gains and around EUR 1.2 million (around EUR 0.1 million at 31 December 2017) are unrealised losses.

28) Income taxes

(EUR'000)	2018	2017
Current taxes	34,571	38,606
Deferred taxes	1,294	(22,213)
Income taxes	**35,865**	**16,393**

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

(EUR '000)	2018	2017
Theoretical tax expense	**40,291**	**19,303**
Taxable permanent differences	2,543	3,554
Deductible permanent differences	(2,101)	(903)
Tax consolidation scheme	(252)	1,193
Other changes	(4,816)	(7,123)
Effective IRAP tax expense	200	369
Income taxes	**35,865**	**16,393**

29) Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the owners of the Parent by the weighted average number of ordinary shares outstanding in the year.

(EUR)	2018	2017
Profit (EUR '000)	127,194	71,471
Weighted average number of outstanding ordinary shares ('000)	159,120	159,120
Basic earnings per share	**0.799**	**0.449**

Diluted earnings per share equal the basic earnings per share as the only outstanding shares are the ordinary shares of Cementir Holding SpA.

Capital management

The Group distributes dividends in consideration of its existing financial resources and funding required for its ongoing development.

30) Other comprehensive expense

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

(EUR'000)	2018 Gross amount	2018 Tax effect	2018 Net amount	2017 Gross amount	2017 Tax effect	2017 Net amount
Net actuarial gains (losses) on post-employment benefits	396	194	**590**	(3,123)	(226)	**(3,349)**
Net exchange rate losses - foreign operations	(64,219)		**(64,219)**	(91,409)	-	**(91,409)**
Financial instruments	(6,775)	1,246	**(5,529)**	(1,598)	472	**(1,126)**
Actuarial gains (losses) on post-employment benefits from discontinued operations	-	-	**-**	149	(41)	**108**
Total other comprehensive expense	**(70,598)**	**1,440**	**(69,158)**	**(95,981)**	**205**	**(95,776)**

31) Company acquisitions and sales

ACQUISITION OF LEHIGH WHITE CEMENT COMPANY

On 29 March 2018, Cementir Holding finalised the acquisition of a further 38.75% share of Lehigh White Cement Company ("LWCC") from Lehigh Cement Company LLC, subsidiary of HeidelbergCement AG.

As a result of this transaction, the Cementir Group now controls LWCC with a stake of 63.25%, while the remaining 36.75% is held by the Cemex Group.

The acquisition enables direct management of assets in the United States in the white cement sector, the Group's core business, strengthening its global leadership in keeping with its growth strategy.

The transaction is classified as a business combination achieved in stages and has been treaded in accordance with IFRS 3. At the reporting date, the calculation of the fair value of the assets acquired and the liabilities assumed as well as the price adjustment procedure had been completed. The initial acquisition amount established was USD 87.7 million (USD 108.1 million), paid in full at closing, financed by cash and available credit lines. As it is a business combination achieved in stages, the previously held equity interest of 24.5% was re-measured at its acquisition-date fair value and a gain of EUR 40.1 million has been recognised in the income statement (note 27). Therefore, the acquisition of control cost EUR 141.4 million, whereas the fair value of net assets at the same date was EUR 116.5 million (USD 143.5 million).

Allocation of the amount paid to acquire control involved recognising goodwill of EUR 24,971 thousand, corresponding to the investment held by the Group (note 2).

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

(EUR'000)	Provisional amounts at 29.03.2018	Adjustments	Fair value at 29.03.2018
Intangible assets with a finite useful life	1	100,278	100,279
Property, plant and equipment	28,005	26,461	54,466
Inventories	30,446	-	30,446
Trade receivables	16,115	-	16,115
Other current assets	693	-	693
Other non-current provisions	(657)		(657)
Trade payables	(11,003)	-	(11,003)
Current tax liabilities	(41)	-	(41)
Other current liabilities	(596)	-	(596)
Net assets acquired	**62,964**	**126,739**	**189,703**
The Group's share of net assets acquired (63.25%)	**39,825**	**80,162**	**119,987**
Deferred tax assets	-	13,334	13,334
Deferred tax liabilities	-	(16,834)	(16,834)
Net assets acquired pertaining to the Group including the tax effect	**39,825**	**76,662**	**116,487**
Consideration paid for the acquisition of control net of available cash			**85,981**
Restatement at fair value of the previously held equity interest			**55,477**
Goodwill attributed to the Group			**24,971**

On the basis of the above, the provisional fair value recognition of the assets acquired and liabilities assumed in the acquisition entailed the following accounting effects:

- - **Intangible assets with a finite useful life**: include the recognition of the fair value of the American customer list of around EUR 81 million, and based on the customer turnover rate, a remaining useful life has been considered of 20 years; and the recognition of the fair value of contracts related to exclusive exploitation of quarries for about EUR 19 million which, based on contractual duration has future expected usefulness for 30 years;
- **Property, plant and equipment**: the item includes a fair value adjustment of a total EUR 26 million mainly attributable to the highest value recognised for the two plants owned by the company and to surrounding lands.

The overall calculation of the fair value of assets acquired and liabilities assumed implied recognition of deferred tax liabilities for EUR 16.8 million. Then deferred tax assets were recognised for EUR 13.3 million related to the goodwill emerging, on the investment acquired, and fiscally amortised over 15 years.

From the acquisition date, LWCC generated revenue of around EUR 104.3 million and a profit of around EUR 9 million. The directors believe that, had the acquisition taken place on 1 January 2018, consolidated revenue and profit would have been higher by around EUR 30 million and EUR 3 million, respectively.

32) Financial risks

Credit risk

The Group's maximum exposure to credit risk at 31 December 2018 equals the carrying amount of loans and receivables recognised in the statement of financial position.

Given the sector's collection times and the Group's procedures for assessing customers' creditworthiness, the percentage of disputed receivables is low. If an individual credit position shows irregular payment trends, the Group blocks further supplies and takes steps to recover the outstanding amount.

Recoverability is assessed considering any collateral pledged that legally can be attached and advice from legal advisors who oversee collection procedures. The Group impairs all receivables for which a loss is probable at the reporting date, based on whether the entire amount or a part thereof will not be recovered.

Notes 8 and 11 provide information on trade and other receivables.

Liquidity risk

The Group has credit facilities which cover any unforeseen requirements.

Note 17 Financial Liabilities provides a breakdown of financial liabilities by due date.

Market risk

Information necessary to assess the nature and scope of financial risks at the reporting date is provided in this section.

Currency risk

The Group is exposed to the risk of fluctuations in exchange rates, which may affect its earnings performance and equity.

With respect to the main effects of consolidating foreign companies, if the exchange rates for the Turkish lira (TRY), Norwegian krone (NOK), Swedish krona (SEK), US dollar (USD), Chinese renminbi yuan (CNY), Malaysian ringgit (MYR) and Egyptian pound (EGP) were an average 10% below the effective exchange rate, the translation of equity would have generated a decrease of EUR 64 million amounting to about 5.6% on consolidated equity (31 December 2017 a reduction of EUR 60 million equal to about 6%). Other currency risks connected with the consolidation of other foreign companies are negligible.

The Group is mainly exposed to currency risk in relation to operating profit from sales and purchases in TRY, DKK, NOK, AUD, MYR and PLN. A hypothetical decrease of 10% in all these exchange rates (excluding the DKK) would have lowered EBITDA by EUR 10.5 million (2017 by EUR 11.4 million).

At 31 December 2018, risks connected with main receivables and payables in foreign currency related to those in TRY, DKK, NOK, SEK, USD and GBP; the potential effect of these exposures, resulting from the fluctuating exchange rates, except for the DKK, due to an assumed reduction in all rates by an average 10% would have been negative for about EUR 3.8 million (31 December 2017 negative for about EUR 2.9 million). Similarly, a hypothetical increase in exchange rates would have an identical positive effect. With respect to the Turkish Lira

(TRY), for translation of the financial data of the Turkish companies, an average exchange rate was applied till July 2018 and an average monthly exchange rate starting from August 2018.

Interest rate risk

The Group is exposed to the risk of fluctuations in interest rates. Consolidated net financial debt at 31 December 2018 totalled EUR 255.4 million (EUR 543.3 million at 31 December 2017) and is subject to floating interest rates.

With respect to the variable rate of loans and liquid and cash equivalents, an annual increase in interest rates, on all currencies the debt is contracted in, of 1%, assuming all the other variables remain stable, would have a negative impact on the pre-tax profits before taxes of EUR 4 million (31 December 2017 of 5.5 million) and on equity of EUR 3 million (31 December 2017 of 4.1 million). A similar decrease in interest rates would have an identical positive impact.

33) Fair value hierarchy

IFRS 13 requires that assets and liabilities carried at fair value be classified using a hierarchy which reflects the sources of the inputs used to measure their fair value. The hierarchy consists of the following levels:

- Level 1: measurement of fair value using quoted prices on active markets for identical assets or liabilities.
- Level 2: measurement of fair value using inputs other than the quoted prices included within Level 1 which are directly observable (such as prices) or indirectly observable (i.e., derived from prices) on the market.
- Level 3: measurement of fair value using inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of assets and liabilities is classified as follows:

31 December 2018 (EUR'000)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment property	4	-	61,027	29,125	**90,152**
Current financial assets (derivative instruments)	9	-	71	-	**71**
Total assets		**-**	**61,098**	**29,125**	**90,223**
Current financial liabilities (derivative instruments)	17	-	(10,182)	-	**(10,182)**
Total liabilities		**-**	**(10,182)**	**-**	**(10,182**

31 December 2017 (EUR'000)	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment property	4	-	65,969	29,125	**95,094**
Current financial assets (derivative instruments)	9	-	335	-	**335**
Total assets		**-**	**66,304**	**29,125**	**95,429**
Current financial liabilities (derivative instruments)	17	-	(8,683)	-	**(8,683)**
Total liabilities		**-**	**(8,683)**	**-**	**(8,683)**

No transfers among the levels took place during 2018 and no changes in level 3 were made.

34) Related party transactions

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

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

31 December 2018 (EUR'000)	**Ultimate Parent**	**Associates**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total financial statements item**	% of item
Statement of financial position							
Trade receivables	33		110		**143**	**163,553**	0.1%
Trade payables	450		51		**501**	**228,209**	0.2%
Other non-current liabilities							
Other current liabilities	-	-	6		**6**	**47,869**	0.01%
Income statement							
Revenue	-		632		**632**	**1,196,186**	0.1%
Other operating revenue	-	-	34		**34**	**24,458**	0.1%
Other operating costs	450		1,708		**2,158**	**345,556**	0.6%
Financial income	-		-	-			

31 December 2017 (EUR'000)	**Ultimate Parent**	**Associates**	**Companies under common control**	**Other related parties**	**Total related parties**	**Total financial statements**	% of item
Statement of financial position							
Trade receivables	25	3,063	2,805	-	**5,893**	**160,629**	3.7%
Trade payables	-	4	54	-	**58**	**204,204**	0.03%
Other non-current liabilities							
Other current liabilities	-	-	58	-	**58**	**44,850**	0.1%
Income statement							
Revenue	-	20,361	641	-	**21,002**	**1,140,006**	1.8%
Other operating revenue	-	-	38	-	**38**	**22,071**	0.2%
Other operating costs	450	-	230	-	**680**	**328,438**	0.2%
Financial income	-	16	-	-	**16**	**13,468**	0.1%

The main related-party transactions are summarised below.

Business transactions with associates concern the sale of products and semi-finished products (cement and clinkers) at arm's-length conditions. Revenue and costs connected with business transactions with the ultimate Parent and companies under common control include various services, such as leases.

The Group did not grant loans to directors, statutory auditors or key management personnel during the reporting period and did not have loan assets due from them at 31 December 2018.

As at 31 December 2018, fees due to directors and key management personnel stood at EUR 6,694 thousand.

35) Independent auditors' fees

Fees paid in 2018 by the Parent Cementir Holding SpA and its subsidiaries to the independent auditors and their network totalled approximately EUR 1,326 thousand (2017 EUR 1,408 thousand), including EUR 1,017 thousand for audit services (2017: EUR 1,029 thousand at 31 December 2017) and EUR 309 thousand for other services (2017: EUR 379 thousand at 31 December 2017).

36) Assets and liabilities for sale

On 2 January 2018 Cementir Holding S.p.A. finalized the sale of **100% of Cementir Italia SpA**, including its wholly owned subsidiaries Cementir Sacci SpA and Betontir SpA (Cementir Italia Group) to Italcementi S.p.A., a fully controlled subsidiary of HeidelbergCement AG.

The transaction has an enterprise value of EUR 315 million on a cash and debt-free basis and the consideration was totally received in cash on that date. In September the purchase price adjustment procedure was concluded, which caused an outlay of less than EUR 0.5 million.

The caption Loss from discontinued operations amounted to EUR 13.109 thousand and referred for EUR 5,090 thousand to the provision as a result of the decision of the Council of State at the hearing of 7 February 2019 and for the remaining part to the provisions against some clauses contained in the transfer agreement of the Italian assets, net of fiscal effects.

37) Events after the reporting period

No significant facts occurred after the year ended.

38) Other information

There are three separate proceedings where Cementir Holding S.p.A., though not the defended, is responsible for managing defence and could abstractly have to pay compensation, with respect to its agreements with Italcementi S.p.A. for the sale of the shares of Cementir Italia S.p.A (now called Cemitaly S.p.A. by the new owner)., Cementir Sacci S.p.A. (now Italsacci S.p. A) and Betontir S.p.A., which became effective on 2 January 2018.

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.

On 6 October 2017, Cementir Italia submitted an appeal 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 Cemitaly. On 11 November 2017, the Regional Administrative Court of Lazio did not grant suspension of the decision and set the appeal hearing for June 2018.

With ruling published on 30 July 2018, the Lazio TAR fully rejected the appeal, confirming the validity of the sanction.

With a further appeal notified on 5 October 2018, Cemitaly requested that the Council of State cancel the sentence in full and the sanction imposed or, alternatively, refer a question for a preliminary ruling to the Court, that is partial cancellation of the sentence and the measure to the extent that they acknowledge Cemitaly having taken part in the disputed agreement and – because of that – apply the sanction imposed or, as a further alternative, partial cancellation of the sentence and the measure due to an erroneous quantification of the sanction. In acceptance of a motion presented by the Attorney General at the public hearing of 15 November 2018, the case was postponed to be heard on 7 February 2019 and hence was taken under advisement.

Lastly, on 21 March 2019 the decision of the Council of State was published rejecting the appeal of Cemitaly, considering it unfounded as explained in the statement of reasons.

Tax proceedings against Cemitaly (Eco-tax)

In 2015, the Italian Finance Police (Guardia di Finanza) in Taranto and the Taranto Provincial Police Unit began a tax audit on Cemitaly at the 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, the Apulia 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.

Cemitaly has appealed to the Provincial Tax Commission of Bari against this decision, requesting its suspension and subsequent cancellation. The company retains that its slag is not waste but rather a by-product and in any case is not waste to be sent to landfill and hence is not subject to tax, as the material can be perfectly well recovered and used in the cement production cycle; in addition, disposal of slag is not an instance of illegal waste disposal.

On 28 June 2017, the Provincial Tax Commission of Bari accepted the request to suspend the disputed decision and set the hearing to discuss the matter for 13 December 2017.

With the decision of 14 December 2017, the Provincial Tax Commission of Bari rejected the appeal of the company. Cemitaly considers the decision to be both factually and legally incorrect. As proof of this, the offending "waste" has in the meantime been fully removed from the area of the Taranto plant and entirely recovered.

On these bases, the company has appealed against the first level sentence before the Apulia Regional Tax Commission. The appeal has been assigned no. 2888/18 general register and is pending waiting for the hearing to be fixed.

Moreover, to avoid a dispute with an objectively uncertain possible result, the company has informed the Apulia Region of its willingness to settle the dispute through Legal Conciliation pursuant to Article 48 of Legislative Decree 546 of 31 December 1992**.**

Preventive seizure of specific areas and facilities in the Cemitaly Taranto plant

On 28 September 2017, a preventive seizure order was served on Cemitaly, Ilva S.p.A. in A.S. (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.

For Cemitaly, the seizure order was related to:

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

Cemitaly's involvement concerns the administrative offences set out in Articles 5, 6 and 25-*undecies*, Paragraph 2, Letter F) Legislative Decree 231/2001 referred to Article 260 of 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 plant in Taranto.

According to investigator allegations, (i) the fly ash that Cemitaly 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. Cemitaly'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 Cemitaly should be qualified and 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 deferrisation, both of which are outside “normal industrial practice” for “pozzolana cement”.

Both allegations appear to be completely without foundation.

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

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

With a series of subsequent measures, the judge - on request of the prosecutor - launched a special enquiry into the above events.

At the same time, the judge "released" a series of rights of the aforementioned company that were originally prevented by the seizure, including the right to sell the slag cement stored at the site on the date of seizure; the right to use the slag stored at its premises; the right to procure slag from third parties; the right to use the areas for storing slag, the iron remover and the internal conveyor belts.

With the report deposited on 16 July 2018, experts appointed by the Court found (i) that the blast-furnace slag supplied by Ilva qualifies, for all purposes, is a by-product; (Ii) the fly ash that Cemitaly acquired from Enel Produzione, originating from the power plant in Brindisi, is materially compliant with laws applicable.

On 23 July 2018, the company presented a formal appeal to release the Taranto production plant, motivating it with the accusations being manifestly unfounded, proven by the expert’s report. With a ruling of 31 July 2018, the Lecce Public Prosecutor ordered the release of all assets seized. The Judge therefore fixed the hearing for the technical report discussion for 22 January 2019. On that date the case was postponed to 15 April 2019.

BLANK PAGE

ANNEX

Annex 1

List of equity investments at 31 December 2018

Company name	Registered office	Share capital/ quota	Currency	Type of investment % Direct	Type of investment % Indirect	Investment held by group companies	Method
Cementir Holding SpA	Rome (Italy)	159,120,000	EUR			Parent Company	Line-by-line
Aalborg Cement Company Inc.	Somerville, N.J. (USA)	1,000	USD		100	Aalborg Portland US Inc.	Line-by-line
Aalborg Portland Holding A/S	Aalborg (Denmark)	300,000,000	DKK		75 25	Cementir España SL Globocem SL	Line-by-line
Aalborg Portland A/S	Aalborg (Denmark)	100,000,000	DKK		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland Belgium SA	Berchem-Sainte-Agathe (Belgium)	500,000	EUR		100	Aalborg Portland A/S	Line-by-line
Aalborg Portland España SL	Madrid (Spain)	3,004	EUR		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland France SAS	Paris (France)	10,010	EUR		100	Aalborg Portland A/S	Line-by-line
Aalborg Portland Island EHF	Kópavogur (Iceland)	303,000,000	ISK		100	Aalborg Portland A/S	Line-by-line
Aalborg Portland Malaysia Sdn Bhd	Perak (Malaysia)	95,400,000	MYR		70	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland Polska Spzoo	Warsaw (Poland)	100,000	PLN		100	Aalborg Portland A/S	Line-by-line
Aalborg Portland US Inc	Somerville, N.J. (USA)	1,000	USD		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland (Anqing) Co Ltd	Anqing (China)	265,200,000	CNY		100	Aalborg Portland Holding A/S	Line-by-line
Aalborg Portland (Australia) Pty Ltd	Brisbane (Australia)	1,000	AUD		100	Aalborg Portland Malaysia Sdn Bhd	Line-by-line
Aalborg Portland OOO	Kingisepp (Russia)	14,700,000	RUB		99.9 0.1	Aalborg Portland A/S Aalborg Portland Holding A/S	Line-by-line
Aalborg Resources Sdn Bhd	Perak (Malaysia)	2,543,972	MYR		100	Aalborg Portland Malaysia Sdn Bhd	Line-by-line
AB Sydsten	Malmö (Sweden)	15,000,000	SEK		50	Unicon A/S	Line-by-line
AGAB Syd Aktiebolag	Svedala (Sweden)	500,000	SEK		40	AB Sydsten	Equity
Alfacem Srl	Rome (Italy)	1,010,000	EUR	99.99		Cementir Holding SpA	Line-by-line
Basi 15 Srl	Rome (Italy)	400,000	EUR	100		Cementir Holding SpA	Line-by-line
Cementir España SL	Madrid (Spain)	3,007	EUR	100		Cementir Holding SpA	Line-by-line
Cimbeton AS	İzmir (Turkey)	1,770,000	TRY		50.28 0.06	Cimentas AS Kars Cimento AS	Line-by-line
Cimentas AS	İzmir (Turkey)	87,112,463	TRY		97.8 0.12 0.48	Aalborg Portland España SL Cimbeton AS Kars Cimento AS	Line-by-line
Compagnie des Ciments Belges SA	Gaurain (Belgium)	179,344,485	EUR		100	Aalborg Portland Holding A/S	Line-by-line
Compagnie des Ciments Belges France SAS (CCBF)	Villeneuve-d'Ascq (France)	34,363,400	EUR		100	Compagnie des Ciments Belges SA	Line-by-line
Destek AS	İzmir (Turkey)	50,000	TRY		99.99 0.01	Cimentas AS Cimentas Foundation	Line-by-line
De Paepe Beton NV	Ghent (Belgium)	500,000	EUR		100	Compagnie des Ciments Belges SA	Line-by-line

Annex 1 *(cont'd)*

Company name	Registered office	Share capital/ quota	Currency	Type of investment % Direct	Type of investment % Indirect	Investment held by group companies	Method
ECOL Unicon Spzoo	Gdańsk (Poland)	1,000,000	PLN		49	Unicon A/S	Equity
Everts Betongpump & Entreprenad AB	Halmstad (Sweden)	100,000	SEK		100	AB Sydsten	Line-by-line
Gaetano Cacciatore LLC	Somerville, N.J. (USA)	-	USD		100	Aalborg Cement Company Inc	Line-by-line
Globocem SL	Madrid (Spain)	3,007	EUR		100	Alfacem Srl	Line-by-line
Ilion Cimento Ltd.	İzmir (Turkey)	300,000	TRY		100	Cimbeton AS	Line-by-line
Kars Cimento AS	İzmir (Turkey)	437,177,936	TRY		48.77 51.23	Cimentas AS Alfacem Srl	Line-by-line
Kudsk & Dahl A/S	Vojens (Denmark)	10,000,000	DKK		100	Unicon A/S	Line-by-line
Lehigh White Cement Company LLC	Allentown (USA)	-	USD		24.52 38.73	Aalborg Cement Company Inc White Cement Company LLC	Line-by-line
Neales Waste Management Ltd	Preston (UK)	100,000	GBP		100	NWM Holdings Ltd	Line-by-line
NWM Holdings Ltd	Preston (UK)	5,000,001	GBP		100	Recydia AS	Line-by-line
Quercia Ltd	Preston (UK)	5,000,100	GBP		100	NWM Holdings Ltd	Line-by-line
Recybel SA	Liège-Flémalle (Belgium)	99,200	EUR		25.5	Compagnie des Ciments Belges SA	Equity
Recydia AS	İzmir (Turkey)	759,544,061	TRY		67.39 23.72 8.89	Kars Cimento AS Cimentas AS Aalborg Portland Holding AS	Line-by-line
Sinai White Portland Cement Co. SAE	Cairo (Egypt)	350,000,000	EGP		71.11	Aalborg Portland Holding A/S	Line-by-line
Skane Grus AB	Ljungbyhed (Sweden)	1,000,000	SEK		60	AB Sydsten	Line-by-line
Société des Carrières du Tournaisis SA	Gaurain (Belgium)	12,297,053	EUR		65	Compagnie des Ciments Belges SA	Proportionate
Spartan Hive SpA	Rome (Italy)	300,000	EUR	100		Cementir Holding SpA	Line-by-line
Sureko AS	İzmir (Turkey)	43,443,679	TRY		100	Recydia AS	Line-by-line
Svim 15 Srl	Rome (Italy)	400,000	EUR	100		Cementir Holding SpA	Line-by-line
Trabel Affretement SA	Gaurain (Belgium)	61,500	EUR		100	Compagnie des Ciments Belges SA	Line-by-line
Trabel Transports SA	Gaurain (Belgium)	750,000	EUR		100	Compagnie des Ciments Belges SA	Line-by-line
Unicon A/S	Copenhagen (Denmark)	150,000,000	DKK		100	Aalborg Portland Holding A/S	Line-by-line
Unicon AS	Oslo (Norway)	13,289,100	NOK		100	Unicon A/S	Line-by-line
Vianini Pipe Inc	Somerville, N.J. (USA)	4,483,396	USD		99.99	Aalborg Portland US Inc	Line-by-line
White Cement Company LLC	Somerville, N.J. (USA)	-	USD		100	Aalborg Cement Company Inc.	Line-by-line

Rome, 7 March 2019

Chairman of the Board of Directors

Francesco Caltagirone, Jr.
(signed on the original)

Statement on the consolidated financial statements as per Article 81-*ter* of CONSOB Regulation 11971 of 14 May 1999 and subsequent amendments and additions thereto

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

- the adequacy, in relation to the characteristics of the Group, and
- the effective application of administrative and accounting procedures for the preparation of the consolidated financial statements as at and for the year ended 31 December 2018.

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

3. They also state that:

3.1 the consolidated financial statements:

a) have been prepared in accordance with the applicable IFRS, as endorsed by the European Union in EC Regulation 606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the entries in the accounting books and records;

c) provide a true and fair view of the financial position, financial performance and cash flows of the issuer and the companies included in the scope of consolidation.

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

Rome, 7 March 2019

Chairman of the Board of Directors	Manager responsible for financial reporting
/f/ Francesco Caltagirone, Jr.	/f/ Giovanni Luise

BLANK PAGE

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

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Cementir Holding Group (the "group"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Cementir Holding Group as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Cementir Holding S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of goodwill

Notes to the consolidated financial statements: section on accounting policies – paragraphs "Impairment losses" and "Use of estimates" and note 2 "Intangible assets with an indefinite useful life"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2018 include goodwill of €353,933 thousand. The directors tested goodwill for impairment in order to calculate the recoverable amount of the cash-generating units (CGU) to which goodwill is allocated. The recoverable amount is based on value in use, calculated by discounting the expected cash flows using the discounted cash flows model. The model is very complex and entails the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of the group's sector, the actual cash flows for recent years and the projected growth rates; — the financial parameters used to calculate the discount rate. For the above reasons, we believe that the recoverability of goodwill is a key audit matter.	Our audit procedures included: — understanding the process adopted for impairment testing approved by the parent's board of directors; — analysing the criteria used to identify the CGU and trace their carrying amounts to the consolidated financial statements; — understanding the process adopted to prepare the subsidiaries' business plans from which the expected cash flows used for impairment testing have been derived and analysing the assumptions adopted for reasonableness; — analysing any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — comparing the cash flows used for impairment testing to the cash flows forecast in the plans and analysing any discrepancies; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about goodwill and related impairment tests.

Allocation of the consideration paid for the acquisition of Lehigh White Cement Company

Notes to the consolidated financial statements: section on accounting policies – paragraphs "Consolidation criteria", and "Use of estimates" and note 31 "Business acquisitions and sales"

Key audit matter	Audit procedures addressing the key audit matter
In 2018, the group completed its fair value measurement of the assets acquired and liabilities assumed with the acquisition of control over Lehigh White Cement Company ("LWCC") on 29 March 2018 and existing at that date. Assisted by an external expert, the group determined the fair value of the assets acquired and liabilities assumed by discounting the expected cash flows using the discounted cash flow model and a comparable transaction model. These models are very complex and entail the use of estimates which, by their very nature, are uncertain and subjective, about: — the expected cash flows, calculated by taking into account the general economic performance and that of LWCC's sector, the actual cash flows for the last few years and the projected growth rates; — the financial parameters used to calculate the discount rate; — the quantitative and qualitative parameters applied to the comparable transactions considered. For the above reasons, we believe that the allocation of the consideration paid for the acquisition of LWCC is a key audit matter.	Our audit procedures included: — understanding the process adopted by the parent to allocate the consideration paid for the acquisition of control over LWCC; — analysing the report prepared by the external expert engaged by the group to measure the fair value of the assets acquired and liabilities assumed with the acquisition of control over LWCC; — involving experts of the KPMG network in the assessment of the reasonableness of the allocation model and related assumptions, including by means of comparison with external data and information; — assessing the appropriateness of the disclosures provided in the notes about the allocation of the consideration paid for the acquisition of LWCC.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

  conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2012, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2012 to 31 December 2020.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2018 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Cementir Holding S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, other auditors attested the compliance of the non-financial statement separately.

Rome, 26 March 2019

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2018

SEPARATE FINANCIAL STATEMENTS

Statement of financial position

(EUR)	Notes	31 December 2018	31 December 2017
ASSETS			
Intangible assets	1	4,134,037	5,396,129
Property, plant and equipment	2	421,911	580,075
Investment property	3	23,000,000	23,000,000
Investments in subsidiaries	4	294,340,578	293,840,578
Non-current financial assets	5	152,673,385	179,783,886
Deferred tax assets	17	18,292,910	17,243,107
TOTAL NON-CURRENT ASSETS		**492,862,821**	**519,843,774**
Trade receivables	6	18,584,080	12,314,532
- Trade receivables - third parties		*176,859*	*279,609*
- Trade receivables - related parties	30	*18,407,221*	*12,034,923*
Current financial assets	7	156,376,821	44,166,815
- Current financial assets - third parties		*745,236*	*935,453*
- Current financial assets - related parties	*30*	*155,631,585*	*43,231,362*
Current tax assets	8	4,458,887	4,287,824
Other current assets	9	2,648,638	1,251,720
- Other current assets - third parties		*1,768,848*	*925,723*
- Other current assets - related parties	*30*	*879,790*	*325,997*
Cash and cash equivalents	10	51,906,643	4,021,623
TOTAL CURRENT ASSETS		**233,975,069**	**66,042,514**
ASSETS HELD FOR SALE		**-**	**349,367,929**
TOTAL ASSETS		**726,837,890**	**935,254,217**
EQUITY AND LIABILITIES			
Share capital	11	159,120,000	159,120,000
Share premium reserve	12	35,710,275	35,710,275
Other reserves	13	133,909,320	269,317,103
Loss for the year		(5,353,200)	(123,242,525)
TOTAL EQUITY		**323,386,395**	**340,904,853**
Employee benefits	14	1,303,040	1,767,290
Non-current provisions	18	370,000	45,000
Non-current financial liabilities	15	328,109,918	504,601,717
Deferred tax liabilities	17	5,573,931	4,238,995
TOTAL NON-CURRENT LIABILITIES		**335,356,889**	**510,653,002**
Current provisions		10,149,381	-
Trade payables	16	2,441,641	2,445,200
- Trade payables - third parties		*1,978,831*	*2,432,390*
- Trade payables - related parties	*30*	*462,810*	*12,810*
Current financial liabilities	15	41,352,238	36,774,453
- Current financial liabilities - third parties		*11,352,238*	*36,774,453*
- Current financial liabilities - related parties	30	*30,000,000*	*-*
Current tax liabilities	17	920,092	416,992
Other current liabilities	18	13,231,254	5,494,790
- Other current liabilities - third parties		*13,064,614*	*5,221,901*
- Other current liabilities - related parties	30	*166,640*	*272,889*
TOTAL CURRENT LIABILITIES		**68,094,606**	**45,131,435**
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		**-**	**38,564,927**
TOTAL LIABILITIES		**403,451,495**	**555,784,437**
TOTAL EQUITY AND LIABILITIES		**726,837,890**	**935,254,217**

Income statement

(EUR)	Notes	2018	2017
REVENUE	19	**26,609,537**	**27,792,003**
- Revenue - third parties		*754,244*	**-**
- Revenue - related parties	30	*25,855,293*	*27,792,003*
Increase for internal work	20	1,079,035	1,525,283
Other operating revenue	21	1,577,306	323,000
- Other operating revenue - third parties		*1,577,306*	*323,000*
TOTAL OPERATING REVENUE		**29,265,878**	**29,640,286**
Personnel costs	22	(13,373,848)	(15,614,691)
- Personnel costs - third parties		*(13,373,848)*	*(15,614,691)*
Other operating costs	23	(17,120,547)	(12,664,520)
- Other operating costs - third parties		*(15,122,268)*	*(10,874,258)*
- Other operating costs - related parties	30	*(1,998,279)*	*(1,790,262)*
TOTAL OPERATING COSTS		**(30,494,395)**	**(28,279,211)**
EBITDA		**(1,228,517)**	**1,361,075**
Amortisation, depreciation, impairment losses and provisions	24	(12,316,312)	(1,542,656)
EBIT		**(13,544,829)**	**(181,581)**
Financial income	25	26,633,513	18,904,243
- Financial income - third parties		*22,655,827*	*9,858,843*
- Financial income - related parties	30	*3,977,686*	*9,045,400*
Financial expense	25	(17,974,121)	(141,430,246)
NET FINANCIAL INCOME (EXPENSE)		**8,659,392**	**(122,526,003)**
LOSS BEFORE TAXES		**(4,885,437)**	**(122,707,584)**
Income taxes	26	(467,763)	(534,941)
LOSS FROM CONTINUING OPERATIONS		**(5,353,200)**	**(123,242,525)**
LOSS FOR THE YEAR		**(5,353,200)**	**(123,242,525)**

Statement of comprehensive income

(EUR)	Notes	2018	2017
LOSS FOR THE YEAR		**(5,353,200)**	**(123,242,525)**
Other components of comprehensive income:			
Items that will never be reclassified to profit or loss for the year:			
Net actuarial gains on post-employment benefits	27	6,211	17,041
Taxes recognised in equity	27	(1,491)	(4,090)
Total items that will never be reclassified to profit or loss		**4,720**	**12,951**
Items that may be reclassified to profit or loss for the year:			
Net fair value losses on financial instrument	27	(2,475,475)	(1,595,688)
Taxes recognised in equity	27	731,995	471,847
Total items that may be reclassified to profit or loss		**(1,743,480)**	**(1,123,841)**
Total other comprehensive expense		**(1,738,760)**	**(1,110,890)**
COMPREHENSIVE EXPENSE FOR THE YEAR		**(7,091,960)**	**(124,353,415)**

Statement of changes in equity

(EUR'000)	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Other reserves: Reserve for grants related to assets	Reserve as per Article 15 of Law No. 67/88	Reserve as per Law No. 349/95	Goodwill arising on merger	Other IFRS reserves	Actuari reserve	Hedging reserve	IFRS 9 reserve	Retained earnings	Loss for the year	Total Equity
Equity at 1 January 2017	**159,120**	**35,710**	**97,933**	**31,824**	**13,207**	**138**	**41**	**98,076**	**15,229**	**(147)**	**-**	**-**	**36,121**	**(5,881)**	**481,170**
Allocation of 2016 loss									(5,881)					5,881	-
Distribution of 2016 dividends													(15,912)		**(15,912)**
Total owner transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,881)**	**-**	**-**	**-**	**(15,912)**	**5,881**	**(15,912)**
Net actuarial gains										13					**13**
Losses on derivatives											(1,124)				**(1,124)**
Other comprehensive expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**(1,124)**	**-**	**-**	**-**	**(1,111)**
Loss for the year														(123,242)	**(123,242)**
Equity at 31 December 2017	**159,120**	**35,710**	**97,733**	**31,824**	**13,207**	**138**	**41**	**98,076**	**9,348**	**(134)**	**(1,124)**	**-**	**20,208**	**(123,242)**	**340,905**

(EUR'000)	Share capital	Share premium reserve	Revaluation reserve	Legal reserve	Other reserves: Reserve for grants related to assets	Reserve as per Article 15 of Law No. 67/88	Reserve as per Law No. 349/95	Goodwill arising on merger	Other IFRS reserves	Actuari reserve	Hedging reserve	IFRS 9 reserve	Retained earnings	Loss for the year	Total Equity
Equity at 1 January 2018	**159,120**	**35,710**	**97,933**	**31,824**	**13,207**	**138**	**41**	**98,076**	**9,348**	**(134)**	**(1,124)**	**-**	**20,208**	**(123,242)**	**340,905**
Effects arising from application of IFRS 9												4,804			**4,804**
Equity at 1 January 2018 with introduction of the new standard IFRS 9	**159,120**	**35,710**	**97,933**	**31,824**	**13,207**	**138**	**41**	**98,076**	**9,348**	**(134)**	**(1,124)**	**4,804**	**20,208**	**(123,242)**	**345,709**
Allocation of 2017 loss			(97,733)					(21,332)	(4,177)					123,242	-
Distribution of 2017 dividends													(15,912)		**(15,912)**
Total owner transactions	**-**	**-**	**(97,733)**	**-**	**-**	**-**	**-**	**(21,332)**	**(4,177)**	**-**	**-**	**-**	**(15,912)**	**123,242**	**(15,912)**
Net actuarial gains										4					**4**
Losses on derivatives											(1,744)				**(1,744)**
Other comprehensive expense	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(1,744)**	**-**	**-**	**-**	**(1,740)**
Change in other reserves												682			682
Total other transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**682**	**-**	**-**	**682**
														(5,353)	**(5,353)**
Equity at 31 December 2018	**159,120**	**35,710**	**-**	**31,824**	**13,207**	**138**	**41**	**76,744**	**5,171**	**(130)**	**(2,868)**	**5,486**	**4,296**	**(5,353)**	**323,386**

Statement of cash flows

(EUR'000)	Notes	31 December 2018	31 December 2017
Loss for the year		**(5,353)**	**(123,243)**
Amortisation and depreciation	24	1,842	1,543
Net financial income (expense)	25	(8,659)	122,526
- third parties		*(4,682)*	*8,597*
- related parties		*(3,978)*	*113,929*
Income taxes	26	468	535
Change in employee benefits		(461)	1,332
Change in provisions (current and non-current)		10,474	-
Operating cash flows before changes in working capital		**(1,689)**	**2,694**
Decrease in trade receivables - third parties		103	142
(Increase) Decrease in trade receivables - related parties		(6,372)	7,094
Decrease in trade payables - third parties		(496)	(1,487)
Increase (Decrease) in trade payables - related parties		448	(540)
Change in other non-current and current assets and liabilities - third parties		5,009	(1,824)
Change in other non-current and current assets and liabilities - related parties		(1,960)	856
Change in current and deferred taxes		(588)	-
Operating cash flows		**(5,545)**	**6,934**
Interest collected		4,576	9,845
Interest paid		(9,694)	(15,163)
Other net income (expense) collected (paid)		15,280	(608)
Income taxes paid		(239)	-
CASH FLOWS FROM IN OPERATING ACTIVITIES (A)		**4,378**	**1,009**
Investments in intangible assets		(372)	(2,499)
Investments in property, plant and equipment		(7)	(399)
Acquisitions of equity investments		(500)	(20,800)
Proceeds from the sale of equity investments		314,490	-
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES (B)		**313,611**	**(23,698)**
Change in non-current financial assets and liabilities - third parties		(170,346)	(130,619)
Change in non-current financial assets and liabilities - related parties		26,423	149,196
Change in current financial assets and liabilities - third parties		(23,597)	10,704
Change in current financial assets and liabilities - related parties		(86,672)	7,632
Dividends distributed		(15,912)	(15,912)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES (C)		**(270,104)**	**21,000**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)		**47,885**	**(1,688)**
Opening cash and cash equivalents	10	**4,022**	**5,710**
Closing cash and cash equivalents	10	**51,907**	**4,022**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

General information

Cementir Holding SpA is a company limited by shares with registered office in Corso di Francia 200, Rome, Italy.

At 31 December 2018 shareholders holding shares exceeding 3% of share capital, as indicated in the book of shareholders, from communications received pursuant to Article No. 120 of Legislative Decree 58 of 24 February 1998 and other information available, are:

1) Francesco Gaetano Caltagirone – 104,862,053 shares (65.901%). The shareholding is held as follows:
   - Direct ownership of 1,327,560 shares (0.834%)
   - Indirect ownership through the companies:
     - Calt 2004 Srl – 47,860,813 shares (30.078%)
     - Caltagirone SpA – 22,820,015 shares (14.341%)
     - FGC Finanziaria Srl – 17,585,562 shares (11.052%)
     - Gamma Srl – 5,575,220 shares (3.504%)
     - Pantheon 2000 SpA – 4,466,928 shares (2.807%)
     - Ical 2 SpA – 2,614,300 shares (1.643%)
     - Capitolium SpA – 2,604,794 shares (1.637%)
     - Vianini Lavori SpA – 6,861 shares (0.004%)
2) Francesco Caltagirone – 8,520,299 shares (5.355%). The shareholding is held as follows:
   - Direct ownership of 2,520,299 shares (1.584%)
   - Indirect ownership through the company Chupas 2007 Srl – 6,000,000 shares (3.771%).

On 7 March 2019, the Company’s Board of Directors approved these separate financial statements at 31 December 2018 and authorised their publication.

Statement of compliance with the IFRS

These separate financial statements at 31 December 2018, drawn up on a going concern basis for the Parent, have been prepared pursuant to Articles 2 and 3 of Legislative Decree 38/2005 and the International Financial Reporting Standards (IFRS), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission and in force at the reporting date, as well as the previous International Accounting Standards (IAS). For the sake of simplicity, all these standards and interpretations are referred to herein as “IFRS”. Reference was also made to Article 9 of Legislative Decree 38 of 28 February 2005, the provisions of the Italian Civil Code, Consob (Italian Securities and Exchange Commission) Resolutions 15519 (“Instructions for financial statements implementing Article 9.3 of Legislative Decree 38/2005”) and 15520 (“Amendments and additions to the regulation implementing Legislative Decree 58/1998”), both dated 27 July 2006, and Consob Communication DEM/6064293 of 28 July 2006 (“Corporate disclosures of listed issuers and issuers with financial instruments traded on the market as per Article 116 of the Consolidated Finance Act").

Basis of presentation

The separate financial statements at 31 December 2018 are presented in euros, the Company's functional currency. All amounts are expressed in thousands of euros, unless indicated otherwise. They consist of a statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes.

The separate financial statements have been prepared on a going concern basis as the directors are reasonably certain that the Company will continue to operate in the foreseeable future, based on their assessment of the risks and uncertainties to which it is exposed.

The company has opted to present these statements as follows:

- the statement of financial position presents current and non-current assets and liabilities separately;
- the income statement classifies costs by nature;
- the statement of comprehensive income presents the effect of gains and losses recognised directly in equity, starting from the profit or loss for the year;
- the statement of changes in equity is presented using the changes in equity method;
- the statement of cash flows is presented using the indirect method.

The general criterion adopted is the historical cost method, except for items recognised and measured at fair value based on specific IFRS, as described in the section on accounting policies.

The IFRS have been applied consistently with the guidance provided in the Framework for the Preparation and Presentation of Financial Statements. The company was not required to make any departures as per IAS 1.19.

CONSOB Resolution No. 15519 of 27 July 2006 requires that sub-items be added in the financial statements, in addition to those specifically requested by IAS 1 and the other standards, when material, so as to show transactions with related parties separately or, in the case of the income statement, profits and losses on non-recurring or unusual transactions.

Assets and liabilities are presented separately and are not netted.

The potential impact of the accounting standards, amendments and interpretations to be applied in the future on the Company's financial reports is currently being studied and assessed.

Standards and amendments to standards adopted by the Company

a) As of 1 January 2018, the Company has adopted the following new accounting standards:

- IFRS 15 - “Revenue from Contracts with Customers”, endorsed by the EU on 29 October 2016 through Regulation 1905, and “Clarifications to IFRS 15 Revenue from Contracts with Customers”, endorsed by the EU on 9 November 2017 through Regulation 291. IFRS 15 establishes the criteria for the recognition and measurement of revenue from contracts with customers. In brief, the standard requires analysis of the following five steps to record revenue: (i) identification of the contract; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations; (v) recognition of revenue. The Company has conducted a detailed analysis to check whether introducing the new standard caused changes to how revenue is recognised. From analyses conducted no effects emerged in all the IFRS 15 application areas.
- IFRS 9 - "Financial instruments", whose EU endorsement took place on 29 November 2016 through Regulation 2067. IFRS 9 - "Financial instruments" replaced IAS 39 - "Financial Instruments: Recognition and Measurement” as of 1 January 2018, providing a new set of accounting rules applicable to classifying and measuring financial instruments, to impairment of financial asset and hedge accounting.

  Amongst other things, IFRS 9 establishes that if a financial liability is modified or exchanged without derecognition, any effects from recalculating the value of the new liability using the modified cash flows and original effective interest rate must be recognised in profit or loss immediately. This is the opposite to what is established by IAS 39 where accounting of the new financial liability was applied prospectively. Modification costs and fees sustained are still recognised adjusting the carrying amount of the modified liability directly and depreciated using the effective interest rate over the instrument’s useful life. Introduction of IFRS 9 did not have any classification and measurement accounting effects. For hedge accounting, IFRS 9 requirements in order to apply the new hedge accounting rules were checked. Based on those controls, we feel that all existing hedging relations satisfy criteria needed to carry on applying hedge accounting. For the impairment model, adopting IFRS 9 radically changed the way impairment losses are calculated and accounted for radically; replacing the incurred loss approach of IAS 39 with a criteria based on the forward-looking expected credit loss model (ECL).

  Based on the new standard, regardless of a specific trigger event expected credit losses calculated applying the ECL model must be recognised for all financial assets (except those valued at FVTPL). For trade receivables, an impairment model considering the so-called simplified approach foreseen by the standard for those financial assets was used. Receivables were divided into uniform clusters; the reference parameters (PD, LGD, and EAD) used to calculate the lifetime expected credit losses were then calculated for each cluster using the information available. Analyses showed that introducing IFRS 9 did not have any significant effects compared to what the company used to do.

Lastly, for the modification of financial liabilities, the Company recalculated financing values when contractual conditions had changed over time compared to the original contract.

This analysis showed a EUR 4,804 thousand increase in equity backdated to 1 January 2018, according to the IFRS 9 transition rules, and a EUR 2,306 thousand negative effect on the income statement for 2018.

As set out in the above provisions, the income statement and equity balances for comparative previous years were not recalculated. The Company applied the new hedge accounting provisions perspectively as of 1 January 2018.

- IFRS 2 - "Share-based payment", whose EU endorsement took place on 26 November 2018 with regulation 289. The document “Classifications and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)” resolved a number of issues related to the accounting of share-based payments. Specifically, the amendment makes significant improvements to (i) accounting for cash-settled share-based payments, (ii) their classification, and (iii) how to account for the modification of share-based payments from cash-settled to equity-settled.
- IFRS 4 - "Insurance Contracts", whose EU endorsement took place on 3 November 2017 with regulation 1988. The document “Amendments to IFRS 4: Applying IFRS 9 - "Financial Instruments" with IFRS 4 Insurance Contracts” aims to address the temporary accounting consequences of the different effective dates of IFRS 9 - "Financial Instruments" and the forthcoming insurance contracts Standard.
- IFRIC 22 - “Foreign Currency Transactions and Advance Consideration”, endorsed by the EU on 28 March 2018 through Regulation No. 519. The document intends to provide clarification on the correct accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation clarifies that the transaction date to be used for the translation is the date on which the entity paid or received the advance consideration.
- IAS 40 - "Investment Property", endorsed by the EU on 14 March 2018. The document “Amendments to IAS 40: Transfers of Investment Property” aims to clarify aspects relating to the treatment of transfers to, or from, investment properties. Specifically, the amendment clarifies that a transfer should be made only when there has been a change in use of the property. A change in management’s intentions for the use of a property by itself is not sufficient for a transfer.
- “Annual Improvements to IFRS Standards 2014-2016 Cycle” endorsed by the EU on 7 February 2018. The amendments adopted are part of the normal part of the rationalisation and clarification of the standards.

Except for that said above about IRFS 9, adopting the new standards applicable as of 1 January 2018 did not have significant effects.

b) Standards and interpretations of standards applicable for years starting after 2018 and not adopted in advance by the Company:

- On 12 October 2017, the IASB published a number of amendments to IFRS 9 – "Financial Instruments". The document "Prepayment features with Negative Compensation (Amendments to IFRS 9)" aims to amend the requirements of IFRS 9 with reference to the following two situations: (i) financial assets that contain prepayable options with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other significant requirements of IFRS 9; (ii) new rules are introduced for accounting for a non-substantial modification or exchange of a financial liability measured at amortised cost that does not result in the derecognition of fixed-rate financial liabilities. The amendments are applicable to reporting periods beginning on or after 1 January 2019; earlier application is permitted. EU endorsement took place on 22 March 2018 through Regulation 498.
- On 12 October 2017, the IASB published a number of amendments to IAS 28 – "Investments in associates and joint ventures". The document "Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)" aims to clarify a number of aspects in cases where companies finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future ("Long-Term Interests" or "LTI"). In particular, the amendment clarifies that those financial assets, though representing an extension to the net investments in those investees that IAS 28 applies to, are subject to the "impairment" provisions of IFRS 9. The amendments are applicable to reporting period beginning on or after 1 January 2019; earlier application is permitted. EU endorsement took place on 8 February 2019 through Regulation 237.
- On 7 June 2017, the IASB published the interpretation IFRIC 23 – "Uncertainty over Income Tax Treatments", which provides guidance on how to reflect uncertainties over income tax treatments for a certain fact when accounting for income tax. IFRIC 23 is applicable to reporting period beginning on or after 1 January 2019 .EU endorsement took place on 23 October 2018 through Regulation 1595.
- On 13 January 2016, IASB published the new standard IFRS 16 - "Leases", to replace the current lease provisions, including IAS 17 - "Leases", IFRIC 4 - "Determining whether an arrangments contains a lease", SIC-15 - "Operating leasing - Incentives" and SIC-27 - "Evaluating the substance of transactions in the legal form of a lease". IFRS 16 has to be applied as of 1 January 2019. EU endorsement took place on 31 October 2017 through Regulation 1986. The standard eliminates *de facto* the difference in accounting for operating and finance leases, while also simplifying application and introducing the concept of control to the definition of leasing. Specifically, to determine whether a contract is a *lease* or not, IFRS 16 requires verification of whether or not the lessee has the right to control the use of an identified asset for a determined period of time. Earlier application is permitted for entities that also apply IFRS 15 - "Revenue from Contracts with Customers".

The Company will apply IFRS 16 from 1 January 2019; Within this framework, detailed analysis was conducted to verify the impact arising from introduction of the new standard. The transition approach adopted is the "*Modified Retrospective*", which involves recognition of the right-of- use at the initial application date at an amount equal to the lease liability.

At the date of these separate financial statements, related to effects from application of IFRS 16, please note an increase in assets for the right-of-use amounting to about EUR 6,362 thousand and a corresponding negative effect on net financial debt for about EUR 6,362 thousand.

c) Standards and interpretations to be applied shortly:

At the date of approval of these separate financial statements, the IASB has issued certain standards, interpretations and amendments that the European Union has yet to endorse, some of which are still at the discussion stage. They include:

- On 18 May 2017, the IASB published the new standard IFRS 17 – "Insurance Contracts", which replaces IFRS 4. The new standard on insurance contracts aims to increase transparency on the sources and quality of profit and to ensure greater comparability of results, introducing a single standard for revenue recognition that reflects the services provided. IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The endorsement process by EFRAG is currently under way.
- On 12 December 2017, the IAS published "Annual Improvements to IFRS Standards Cycle 2015-2017". The amendments introduced, forming part of the normal rationalisation and clarification of the IFRS, relate to the following standards: (i) IFRS 3 - "Business Combinations" and IFRS 11 - "Joint Arrangements". The ISAB has clarified how to account for the increase an interest in a joint operation that meets the definition of a business; (ii) IAS 12 - "Income Taxes": the IASB has clarified that the income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the underlying transactions or events that generated the distributable profits (i.e. in profit or loss, OCI or equity); (iii) IAS 23 - "Borrowing Costs": the IASB clarified that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings for qualifying assets that are now ready for their intended use are included in that general pool for the purposes of IAS 23. The amendments are applicable to reporting periods beginning on or after 1 January 2019; earlier application is permitted. Conclusion of the Endorsement Process took place during 2018, while EU endorsement is expected in the first quarter of 2019.

On 7 February 2018, the IASB published a number of amendments to IAS 19 - "Employee Benefits". The document “Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)” clarifies a number of accounting aspects relating to amendment, curtailment or settlement of a defined benefit plan. The amendments apply to amendments to plans, curtailments or transactions as of 1 January 2019, i.e. the date on which they are first applied (earlier application is permitted). Conclusion of the Endorsement Process took place during 2018, while EU endorsement is expected in the first quarter of 2019.

- On 29 March 2018, the IASB published the reviewed version of the Conceptual Framework for Financial Reporting. The main amendments compared to 2010 concern a new measurement chapter, better definitions and guidance, especially referred to establishing liabilities, and clarifications of important concepts, like stewardship, prudence and uncertainties in evaluations. The amendments are applicable to reporting periods beginning on or after 1 January 2020. The endorsement process by EFRAG and EU approval are expected for 2019.
- On 22 October 2018, the IASB published a number of amendments to IFRS 3. The document “Amendment to IFRS 3 Business Combinations” introduced a much more restrictive definition of business than the one in the current version of IFRS 3, and a logical path to be followed to check whether a transaction can be considered a business combination or the simple acquisition of an asset. The amendment must be applied to acquisitions as of 1 January 2020. The endorsement process by EFRAG and EU endorsement is expected for 2019.
- On 31 October 2018, the IASB published the document "Amendments to IAS 1 and IAS 8: Definition of Material” to refine and align the definition of Material present in some IFRS, so that it is consistent with the new Conceptual Framework for Financial Reporting approved in March 2018. The amendments are applicable to annual reporting periods beginnings on or after 1 January 2020. Earlier application is permitted. The endorsement process by EFRAG and EU endorsement is expected for 2019.

Accounting policies

Intangible assets

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

Upon initial recognition, the company determines the asset's useful life. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the company. Useful life is reviewed annually and any changes, if necessary, are applied prospectively. An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and the gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the income statement in the year of its derecognition.

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

Property, plant and equipment

Property, plant and equipment are recognised at their acquisition or construction cost, including directly attributable costs required to make the asset ready for the use for which it was purchased, increased by the present value of the estimated cost of dismantlement or removal of the asset, if the company has an obligation in this sense. Borrowing costs directly attributable to the acquisition, construction or production of an asset are capitalised as part of the asset's cost until the asset is ready for its intended use or sale.

Ordinary and/or regular maintenance and repair costs are expensed when incurred. Costs to extend, upgrade or improve group-owned assets or assets owned by third parties are capitalised only when they meet the requirements for their separate classification as assets or a part of an asset, using the component approach.

Property, plant and equipment are recognised net of accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually. Any necessary changes to its useful life are applied prospectively.

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

	Useful life of property, plant and equipment
- Sundry equipment	5 years
- Office machines and equipment	5 years

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

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

Investment property

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

Fair value is calculated by projecting discounted cash flows based on reliable estimates of future cash flows supported by instalments of leases and/or other existing contracts (level 3).

Investments in subsidiaries and associates

Subsidiaries subject to direct or indirect control include companies for which the Cementir Holding SpA is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Associates are entities over which Cementir Holding SpA has significant influence, but not control or joint control, over financial and operating policies. Investments in subsidiaries and associates are recognised at cost and adjusted in the event of impairment.

Impairment losses

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

The recoverable amount of property, plant and equipment and intangible assets is the higher of their fair value less costs to sell and their value in use.

When defining value in use, the future cash flows are discounted using a pre-tax rate that reflects the current market estimate of the time value of money and specific risks of the asset. The realisable amount of an asset that does not generate largely independent cash flows is determined by considering the cash-generating unit (CGU) to which the asset belongs. Losses in value are recognised in the income statement under amortisation, depreciation and impairment losses.

When the reason for an impairment loss on property, plant and equipment and intangible assets other than goodwill no longer exists, the carrying amount of the asset is increased through profit or loss to the carrying amount the asset would have had, had the impairment loss not been recognised and depreciation/amortisation charged.

Discontinued operations and non-current assets held for sale

Non-current assets (or disposal groups) whose carrying amount will mainly be recovered through their sale and not with their continued use are classified as held for sale and presented separately from other assets and liabilities in the statement of financial position. For that to occur, the asset (or disposed group) must be available for immediate sale in its present condition, subject to terms that are used and customary for the sale of such assets (or disposal groups) and its must be highly probable within one year. If these criteria are met after the reporting date, the non-current asset (or disposal group) is not classified as held for sale. However, if those conditions are met after the reporting date but before authorisation to publish the financial statements, suitable information is provided in the Notes.

Non-current assets (or disposal groups) classified as held for sale, are recognised at the lower of their carrying amount between book value and relative fair value, less costs to sell; the comparative prior year-end captions are not reclassified. A discontinued operation is a component of a company that has either been disposed of or classified as held for sale and:

- represents a major line of business or geographical area of operations;
- is part of a coordinated disposal plan for a major activity branch or geographical area of operations or is a subsidiary acquired solely to be resold.

The profit or loss discontinued operations – whether disposed of or classified as held for sale and in the process of being disposed of are shown separately in the income statement, net of tax effects. The corresponding amounts for the previous year, where present, are reclassified and shown separately in the income statement, net of tax effects, for comparative purposes.

Financial instruments

As of 1 January 2018, the Company has been applying the international accounting standard IFRS 9 "Financial Instruments" to recognise and measure financial instruments. IFRS 9 replaces IAS 39, providing new rules on classification and valuation, derecognition, impairment and hedge accounting. The main novelties include having to consider the business model used to manage financial assets and liabilities and the characteristics of financial cash flows for classification and valuation purposes. Then the standard also introduces new aspects for the valuation of expected credit losses and a new hedge accounting model. Introducing the new standard did not have any impacts on all the application areas established.

Classification and measurement

IFRS 9 introduces new provisions for the classification and measurement of financial assets. These reflect the business model by which those assets are managed and the characteristics of their financial flows.

IFRS 9 classifies financial assets in three main categories: at amortised cost, at the fair value recognised in the other components of the comprehensive income statement (FVOCI) and at the fair value recognised in the profit/(loss) for the year (FVTPL). The categories established by IAS 39, that is, held till expiry, loans and credits and held for sale, were eliminated.

The analysis the company needs to perform to classify financial assets in the aforementioned categories follows a first distinction based on whether we are dealing with a credit instrument, a certificate of indebtedness or a derivative.

All financial assets represented by CREDIT INSTRUMENTS are always recognised at fair value.

If the instrument is held for trading purposes, the changes in fair value must be recognised in the income statement. Whereas, for all the other investments, the company can decide, at the initial recognition date, to subsequently recognise all changes to fair value in the other components of the comprehensive income statement (OCI), exercising the FVTOCI option. In that case, amounts accumulated in the OCI will never be attributed to profit/(loss) for the year even if the investment is removed from accounts. Application of the "FVTOCI" option is irrevocable and reclassifications between the three categories are not permitted.

Related to classification of financial assets represented by RECEIVABLES AND CERTIFICATES OF INDEBTEDNESS, two elements need to be considered:

1. the business model adopted by the company. Specifically:
- *Held to Collect* (HTC), model aimed at owning the financial assets to collect contractual flows;
- *Held To Collect and Sale* (HTC&S), model aimed at both collecting contractual flows resulting from the financial assets and to sell the financial asset itself;
- other different business models to the two previous ones.
2. the characteristics of the contractual cash flow coming from the financial instrument. More specifically, checking whether those contractual cash flows are solely represented by payment of capital and interest or include other components. This control is called SPPI Test (Solely Payment of Principal and Interest Test).

IFRS 9 provides definitions of capital and interest:

- capital is the fair value of the financial asset at the time of initial recognition and that amount can change over time during the lifetime of the financial instrument (for example, through repayments);
- interest represents the compensation for the money's time value and the credit risk on the residual capital.

Therefore a financial asset represented by a certificate of indebtedness can be classified in the following categories:

1) Amortised cost when:

a. the instruments' contractual cash flows are solely represented by payment of capital and interest (SPPI Test passed); and

b. the business model adopted by the company foresees that the latter only holds the financial asset to collect the contractual cash flows (HTC business model).

In this category, financial instruments are initially recognised at fair value, including operating costs, and are then valued at amortised cost. Interest (calculated using the effective interest criterion as in the previously in force IAS 39), losses (and recovery of losses) for reduced value, profits/(losses) on exchange and profits/(losses) resulting from elimination from accounts are recognised in profit/(loss) of the year.

2) Fair Value Through Other Comprehensive Income (FVTOCI) when:

a. the instruments' contractual cash flows are solely represented by payment of capital and interest (SPPI Test passed); and

b. the business model adopted by the company foresees that the latter holds the financial asset to collect the contractual cash flows and the cash flows generated by sales (HTC&S business model).

In that category the financial instruments classified are initially recognised at fair value, including operating costs.

Interest (calculated using the effective interest criterion as in the previously in force IAS 39), losses/(profits) for reduced value, profits/(losses) on exchange are recognised in profits/(losses) for the year. Other changes to the fair value of the instrument are recognised amongst the other comprehensive income statement components (OCI). When the instrument is deleted from accounts, all profits/(losses) accumulated to OCI will be reclassified in the profit/(loss) for the year.

3) Fair Value Through Profit Or Loss secondarily, that is when:

a. the criteria described above are not complied with or;

b. when the fair value option is exercised.

Financial instruments classified in that category are initially and subsequently recognised at fair value. Operation costs and the changes in fair value are recognised in the profit/(loss) for the year.

Losses for reduction in value

IFRS 9 replaces the 'incurred loss' model foreseen by IAS 39 with the ‘expected credit loss’ (or ‘ECL’ model). The model assumes a significant valuation level due to the impact of economic factor changes on the ECL which will be weighted based on probability.

The new loss for reduction in value model applies to financial assets valued at amortised cost or at FVOCI, except for the credit instruments and assets resulting from contracts with customers.

The standard foresees that the funds hedging credits are valued using the following approaches: the "General deterioration method” and the "Simplified approach”; Specifically:

- The "General deterioration method” requires classification of the financial instruments included in the scope of IFRS 9 application in three stages. The three stages reflect the credit's quality deterioration level, from when the financial instrument is acquired, and imply a different ECL calculation method;
- The "Simplified approach” foresees adoption of some simplifications for trade credits, contract assets and credits resulting from leasing contracts, in order to avoid that companies be obliged to monitor changes to the credit risk, as foreseen by the general model. Recognition of the loss applying the simplified approach must be lifetime, therefore the allocation stage is not required. Therefore, for that type receivables are divided into uniform clusters; the reference parameters (PD, LGD, and EAD) used to calculate the lifetime expected credit losses are then calculated for each cluster using the information available.

In cases where the General Deterioration Method is applied, as was said, financial instruments are classified in three stages based on deterioration of the credit quality between the date of initial recognition and that of valuation:

- Stage 1: includes all financial assets being considered when they are first recognised (Initial recognition date) regardless of the qualitative parameters (e.g.: rating) and except for situations with objective evidence of impairment. In the subsequent valuation stage, all financial instruments that have had a significant increase in credit risk compared to initial recognition or that have a low credit risk at the reference date remain in stage 1. For those assets, credit losses for the next 12 months (*12-month ECL*) are recognised, considering the possibility that default could occur in the next 12 months. The interest on financial instruments included in stage 1 is calculated on the book value gross of any asset impairment losses;
- Stage 2: includes financial instruments that have had a significant increase in credit risk compared to the initial recognition Date, but no objective evidence of impairment. Solely expected credit losses resulting from all possible default events are recognised for those assets; for the entire expected lifetime of the financial instrument (*Lifetime ECL*). The interest on financial instruments included in stage 2 is calculated on the book value gross of any asset impairment losses;
- Stage 3: includes financial assets with objective evidence of impairment at the Date of valuation. Solely expected credit losses resulting from all possible default events, for the entire expected lifetime of the financial instrument, are recognised for those assets.

Financial liabilities, related to loans and borrowings, trade payables and other obligations to pay, are initially recognised at fair value, net of directly related costs. They are subsequently measured at amortised cost, using the effective interest method. If there is a change in the estimated future cash flows and they can be determined reliably, the carrying amount of the liability is recalculated to reflect this change based on the present value of the new estimated future cash flows and the initially determined internal rate of return.

Financial liabilities are classified as current liabilities, unless the Company has the unconditional right to defer their payment for at least 12 months after the reporting date.

Financial liabilities are derecognised when they are extinguished and the Company has transferred all the risks and obligations related thereto.

Derivatives

In line with IFRS 9, in the first application stage, the Company has decided to avail itself of the possibility to still apply the hedge accounting provisions foreseen by IAS 39. So provisions regarding derivative financial instruments have remained the same.

The Company uses derivatives to hedge the risk of fluctuations in exchange rates, interest rates and market prices.

All derivatives are measured and recognised at fair value.

Transactions that meet requirements for the application of hedge accounting are classified as hedging transactions. Other transactions are designated as trading transactions, even when their purpose is to manage risk. Therefore, as some of the formal requirements of IFRS were not met at the derivative agreement date, changes in their fair value are recognised in the income statement.

Subsequent fair value gains or losses on derivatives that meet the requirements for classification as hedging instruments are recognised using the criteria set out below.

A derivative qualifies for hedge accounting if, at the inception of the hedge, there is formal designation and documentation of the hedging relationship, including the entity's risk management objective and strategy for undertaking the hedge as well as methods to test effectiveness. The hedge's effectiveness is assessed at inception and over the life of the hedge. Generally, a hedge is considered to be highly effective if, both upon inception and over its life, changes in the fair value (fair value hedges) or estimated cash flows (cash flow hedges) of the hedged item are substantially covered by changes in the fair value of the hedging instrument.

When the hedge relates to changes in the fair value of a recognised asset or liability (fair value hedge), changes in the fair value of both the hedging instrument and the hedged item are recognised in the income statement.

In the case of cash flow hedges (hedging designated to offset the risk of changes in cash flows generated by the future performance of contractually defined obligations at the reporting date), changes in fair value of the derivative recognised after its initial recognition are recognised under reserves (in equity) for the effective part only. When the economic effects of the hedged item arise, the reserve is reversed to the income statement under operating income (expense). If the hedge is not perfectly effective, changes in the fair value of the hedging instrument, related to the ineffective portion, are immediately recognised in the income statement. If, during the life of a derivative, the estimated cash flows hedged are no longer highly probable, the portion of the reserves related to that instrument is immediately reversed to the income statement. Conversely, if the derivative is sold or no longer qualifies as an effective hedging instrument, the part of the reserves representing the fair value changes in the instrument, accumulated to date, is maintained in equity and reversed to the income statement using the above classification method when the originally hedged transaction takes place.

The fair value of financial instruments was calculated used pricing techniques in order to define the present value of future cash flows attributable to such instruments using market curves in place at the measurement date. Furthermore, the component related to the risk of non-compliance (by the Group and the counterparty) was measured using yield-curve spreads.

Cash and cash equivalents

Cash and cash equivalents are recognised at fair value and include bank deposits and cash-on-hand, i.e., short-term, highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Employee benefits

Liabilities for employee benefits paid at or after termination of employment related to defined benefit plans, net of any plan assets, are determined using actuarial assumptions, estimating the amount of future benefits accrued by employees at the reporting date. They are recognised on an accruals basis over the period in which the employees' rights accrue.

Defined benefit plans include the post-employment benefits (TFR) due to employees pursuant to Article 2120 of the Italian Civil Code for benefits vested up to 31 December 2006. Following pension law reform, post-employment benefits accruing since 1 January 2007 are compulsorily transferred to a supplementary pension fund or the special treasury fund set up by INPS (the Italian social security institution) depending on which option the employee has chosen. Therefore, the Company's liability for defined benefits owing to employees relates solely to provisions vested up to 31 December 2006.

The accounting treatment adopted by the Company since 1 January 2007 (described below) complies with the prevailing interpretation of the new legislation and follows the accounting guidance provided by relevant professional bodies. Specifically:

- Post-employment benefits accruing since 1 January 2007 are considered to be defined contribution plans, including when the employee has opted to transfer the benefits to the INPS treasury fund. These benefits, determined in accordance with Italian Civil Code requirements, are not subjected to actuarial evaluation and are recognised as personnel expense.
- Post-employment benefits vested up to 31 December 2006 continue to be recognised as a company liability for defined benefit plans. This liability will not increase in the future through additional accruals. Therefore, the actuarial calculation used to determine the 31 December 2016 balance did not include future salary increases.

Independent actuaries calculate the present value of the Company's obligations using the projected unit credit method. They project the liability into the future to determine the probable amount to be paid when the employment relationship terminates and then discount it to consider the time period before the first effective payment. This calculation includes post-employment benefits accrued for past service and uses actuarial assumptions, mainly based on interest rates, which reflect the market yield on high quality corporate bonds with a term consistent with that of the Company's obligation and employee turnover rate.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of the Company's obligations at the reporting date, due to changes in the actuarial assumptions used (see above), are recognised directly in other comprehensive income.

Provisions for risks and charges

These provisions cover certain or probable risks and charges identified, whose due date or amount is unknown at the reporting date.

Accruals to provisions for risks and charges are recognised when the company has a constructive or legal obligation at the reporting date as a result of a past event and it is likely that an outflow of resources will be necessary to settle the obligation and the amount of this outflow can be estimated reliably. When the time value of money is material and the payment dates can be estimated reliably, the provision is discounted. Increases in the provision due to the passage of time are recognised as a financial expense.

Revenue from contracts with customers

Introduction of the new IFRS 15 standard thoroughly modified recognition of revenues.

The objective for introducing accounting standard IFRS 15 *Revenue from Contracts with Customers*, is to create a full, uniform reference framework for the recognition of revenue, applicable to all commercial contracts (except leases, insurance contracts and financial instruments).

Adoption of the new standard is aimed at:

- concentration of the revenue discipline in a single standard (five step model framework).
- introduction of a model based on the concept of transferring ‘control’;
- measuring revenue based on the amount the entity believes it is entitled to collect on fulfilling the contract;
- introduction of new, specific criteria for allocation of fees for goods and services in contracts;
- introduction of a specific discipline for the entry of ‘variable’ or ‘potential’ amounts.

The “*five step model framework*” is based on 5 crucial revenue calculation steps:

1) identification of the contract;
2) identification of the goods and services purpose of the contract;
3) definition of the transaction price;
4) allocation of the contractual obligations of the price’s variable component;
5) transfer of the contract.

With IFRS 15 revenue is assessed considering the contractual terms and commercial practices generally applied to relations with customers. The transaction price is the fee amount (which can include fixed and variable amounts, or both) which the company believes it has a right to in exchange for transferring control of the goods/services promised. Control is generically considered the capacity to decide on use of the asset (goods/service) and to essentially obtain all the remaining benefits. The total fee of contracts for the supply of services is divided amongst all of them based on the sale price of the relative services, as if they had been sold singly.

For IFRS 15, in each contract the reference element for recognition of revenue is the single performance obligation. For each obligation to do, identified separately, the entity recognises revenue when (or gradually) as it fulfils the obligation itself, transferring the goods/service (that is the asset) promised to the customer. The asset is transferred when (or gradually as) the customer acquires control.

For the obligations to do fulfilled over time, revenue is recognised over time, assessing progress made towards full completion of the obligation. Models based on input or output data can be used to assess progress. The Company uses the input Method (cost-to-cost method). Based on that method, revenues are recognised based on the inputs used to fulfil the obligation up to that date, compared to the total inputs assumed to fulfil the entire obligation. When inputs are distributed uniformly over time, the Company recognises the corresponding revenues in a straightforward manner. In certain circumstances, when we cannot reasonably assess the result of the obligation to do, revenues are only recognised up to the amount of costs sustained.

Variable amounts

If the contractual fee includes a variable amount (for example following reductions, discounts, refunds, credit, price concessions, incentives, performance bonuses, penalties or because the fee itself depends on a certain future event occurring or not), the fee amount it is believed there is a right to has to be estimated. The Company estimates the variable amounts in a way that is consistent with similar types, using the expected value method or the value of the most likely amount; afterwards, it includes the estimated variable amount in the transition price solely if that amount is highly probable.

Presence of a significant financial component

Revenues are adjusted in the presence of significant financial components, both if financed by the customer (early collection), and if financed directly (deferred collections). The presence of a significant financial component is identified when the contract is stipulated, comparing expected revenues with payments to be received. It is not recognised if there is a period of less than 12 months between the moment the goods/service is transferred and the moment of payment.

Costs for obtaining and fulfilling the contract

The Company capitalises costs sustained to obtain the contract and which would not have been sustained if it had not been obtained (e.g. sales commissions), when it expects to recover them. The Company only capitalises costs sustained to fulfil the contract when they are directly related to the contract, consent to having new, greater resources for future compliance and when it expects to recover those costs.

Financial income and expense

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

Dividends

Dividends are recognised when the shareholders' right to receive them is established.

Income taxes

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

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

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

Current and deferred income taxes are recognised in the income statement except for those related to items directly recognised in other comprehensive income. Other current and deferred income taxes are offset when the income taxes are applied by the same tax authority, there is a legal right to offset and payment of the net balance is expected.

Other non-income taxes, such as property taxes, are recognised under operating costs.

Transactions in currencies other than the functional currency

All transactions in currencies other than the functional currency are recognised using the exchange rate applicable at the transaction date. Monetary assets and liabilities in currencies other than the functional currency are subsequently retranslated using the closing rate. Any resulting exchange rate gains or losses are recognised in the income statement.

Non-monetary assets and liabilities in currencies other than the functional value recognised at historical cost are translated using the exchange rate in force at the date the transaction was initially recognised. Non-monetary assets and liabilities recognised at fair value are translated using the exchange rate in force at the date fair value was determined.

Use of estimates

Preparation of financial statements requires management to use accounting policies and methods that are sometimes based on difficult and subjective judgements, estimates based on past experience and assumptions that are considered reasonable and realistic in the circumstances. The application of these estimates and assumptions affects the amounts presented in the financial statements and disclosures. The actual results for which these estimates and assumptions were used may differ due to the uncertainties that characterise the assumptions and the conditions on which the estimates were based.

The accounting policies and financial statements items that require greater subjective judgement by management when making estimates and for which a change in the conditions underlying the assumptions could have a significant impact on the Company's financial statements are the following:

- measurement of non-current assets;
- deferred tax assets;
- estimate of the fair value of investment properties: on each reference date of the financial statements, investment property is measured at fair value and is not subject to depreciation. When determining their fair value, the Directors based their evaluation on assumptions about the trend of the reference real estate market in particular. Such assumptions may vary over time, influencing evaluations and forecasts to be performed by the Directors.

Management regularly reviews the estimates and assumptions and the effects of each change are recognised in the income statement if the change only affects that year. When the review affects current and future years, the change is recognised in the year in which it is made and in the related future years, as explained in more detail in the next section.

Changes in accounting policies, errors and changes in estimates

The Company modifies the accounting policies adopted from one reporting period to another only if the change is required by a standard or contributes to providing more reliable and relevant information about the effects of transactions on the company's financial position, performance and cash flows.

Changes in accounting policies are recognised retrospectively; the opening balance of each affected component of equity for the earliest prior period presented. Other comparative amounts shown for each comparative period presented are adjusted as if the new accounting policy had always been applied. The prospective approach is only applied when it is impracticable to reconstruct the comparative amounts.

If a change in accounting policy is required by a new or revised standard, the change is accounted for as required by that new pronouncement or, if the new pronouncement does not include specific transition provisions, then the change in accounting policy is applied retrospectively. If this is impracticable, it is applied prospectively.

This same approach is applied to material errors. Non-material errors are recognised in the income statement in the period in which the error is identified.

Changes in estimates are recognised prospectively in the income statement in the period in which the change takes place, if it only affects that period, or in the period in which the change takes place and subsequent periods, if the change also affects these periods.

Financial risk management

Cementir Holding SpA is exposed to financial risks related to its operations, namely:

Credit risk

Cementir Holding SpA has no material exposure to credit risk as its receivables are of small amounts, due mainly from subsidiaries for services provided to them.

With respect to bank deposits and derivatives, the Company has always worked with leading counterparties, thus limiting its credit risk in this sense.

Liquidity risk

The company is exposed to liquidity risk as concerns the availability of financial resources and access to the credit market and financial instruments in general. Given its strong financial position, this risk is not material. Nonetheless, Cementir Holding SpA manages liquidity risk by carefully monitoring cash flows and funding requirements. It has sufficient credit facilities to meet any unforeseen requirements.

Market risk

Market risk mainly concerns fluctuations in currency and interest rates.

Cementir Holding SpA is directly exposed to currency risk to a limited degree in relation to loans and deposits held in foreign currency. The Company constantly monitors these risks so as to assess any impact in advance and take any necessary mitigating actions.

Finally, Cementir Holding SpA has floating-rate bank loans and borrowings and is exposed to the risk of fluctuations in interest rates. This risk is considered moderate as the company's loans are currently only in euros and the medium to long-term interest rate curve is not steep. Having thoroughly assessed the level of rates expected and debt reduction timing based on cash forecasts, Interest Rate Swaps are agreed to partly hedge the risk.

Notes

1) Intangible assets

Intangible assets, totalling EUR 4,134 thousand (EUR 5,396 thousand at 31 December 2017) mainly included costs incurred to purchase and implement IT software. The increase compared to the previous year reflects the greater investments made by the Parent to improve the applications, infrastructure and processes to support operating companies. Amortisation is calculated over five years.

(EUR'000)	Other intangible assets	Assets under development and advances	Total
Gross amount at 1 January 2018	**11,424**	**1,107**	**12,531**
Increase	-	2,644	2,644
Decrease	(2,237)	-	(2,237)
Reclassifications	3,751	(3,751)	-
Gross amount at 31 December 2018	**12,938**	**-**	**12,938**
Amortisation at 1 January 2018	**7,135**	**-**	**7,135**
Increase	1,668	-	1,668
Amortisation at 31 December 2018	**8,805**	**-**	**8,805**
Net amount at 31 December 2018	**4,134**	**-**	**4,134**
Gross amount at 1 January 2017	**8,454**	**43**	**8,497**
Increase	2,970	1,064	4,034
Gross amount at 31 December 2017	**11,424**	**1,107**	**12,531**
Amortisation at 1 January 2017	**5,748**	**-**	**5,748**
Increase	1,387	-	1,387
Amortisation at 31 December 2017	**7,135**	**-**	**7,135**
Net amount at 31 December 2017	**4,289**	**1,107**	**5,396**

During the year, personnel expenses of approximately EUR 1,079 thousand was capitalised (EUR 1,525 thousand in 2017).

2) Property, plant and equipment

At 31 December 2018, the item totalled EUR 422 thousand (EUR 580 thousand at 31 December 2017) and consisted of furniture, electronic equipment and servers and motor vehicles used by the company.

(EUR'000)	Other assets	Total
Gross amount at 1 January 2018	**1,524**	**1,524**
Increase	15	15
Reclassifications	102	102
Gross amount at 31 December 2018	**1,641**	**1,641**
Depreciation at 1 January 2018	**944**	**944**
Increase	173	173
Reclassifications	102	102
Depreciation at 31 December 2018	**1,219**	**1,219**
Net amount at 31 December 2018	**422**	**422**
Gross amount at 1 January 2017	**1,208**	**1,208**
Increase	317	317
Gross amount at 31 December 2017	**1,524**	**1,524**
Depreciation at 1 January 2017	**789**	**789**
Increase	155	155
Depreciation at 31 December 2017	**944**	**944**
Net amount at 31 December 2017	**580**	**580**

3) Investment property

The item investment property, totalling EUR 23,000 thousand (unchanged from the previous year), is recognised at fair value, as determined using appraisals prepared by a property assessor. The amount refers to property in Torrespaccata (Rome). Around EUR 7.6 million of investment property has been pledged as collateral to secure non-current bank loans and borrowings with a residual, undiscounted amount of EUR 6,171 thousand at 31 December 2018.

4) Investments in subsidiaries

Totalling EUR 294,341 thousand (EUR 293,841 thousand at 31 December 2017), the item breaks down as follows:

(EUR'000)	Currency	Registered office	Investment %	Carrying amount at 31.12.2018	Investment %	Carrying amount at 31.12.2017
Cementir España SL	EUR	Madrid (Spain)	100.00%	206,735	100.00%	206,735
Alfacem Srl	EUR	Rome (Italy)	99.99%	85,220	99.99%	85,220
Basi 15 Srl	EUR	Rome (Italy)	99.99%	1,686	99.99%	1,186
Svim 15 Srl	EUR	Rome (Italy)	99.99%	400	99.99%	400
Spartan Hive S.p.A	EUR	Rome (Italy)	99.99%	300	99.99%	300
Equity investments				**294,341**		**293,841**

The change of EUR 500 thousand compared to 2017 is due to the increased investment in Basi 15 Srl following a capital contribution of the same amount.
All investments in subsidiaries are in unlisted companies. At the date of preparing these Financial Statements there is no evidence related to the recoverability of the carrying value of the investments.

5) Non-current financial assets

Totalling EUR 152,673 thousand (EUR 179,784 thousand at 31 December 2017). The change in non-current financial assets is due to partial repayment of a loan granted by Cementir Holding SpA to its subsidiary Aalborg Portland Holding A/S during 2016 to finance the acquisition of CCB's share capital, due to mature in October 2021.The loan was recognised using the amortised cost method.
The caption also included EUR 34 thousand of receivables for guarantee deposits due to mature in less than five years.

6) Trade receivables

Trade receivables totalled EUR 18,584 thousand (EUR 12,315 thousand at 31 December 2017) and break down as follows:

(EUR'000)		31.12.2018	31.12.2017
Trade receivables from third parties		177	280
Loss allowance		-	-
Trade receivables - subsidiaries	(note 30)	18,374	12,009
Trade receivables - other group companies	(note 30)	33	25
Trade receivables		**18,584**	**12,315**

The carrying amount of trade receivables approximates their fair value.

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

(EUR'000)	31.12.2018	31.12.2017
Not yet due	177	280
Overdue	-	-
Loss allowance	-	-
Total trade receivables from third parties	**177**	**280**

Trade receivables due from subsidiaries refer to managerial consultancy services pertaining to the Cementir Group Intercompany Service Agreement provided by Cementir Holding SpA to group companies and the royalties under the Trademark Licence Agreement for the use of the trademark by the subsidiaries.
Note 30) Related party transactions provides more information about trade receivables from subsidiaries, associates and other group companies.

7) Current financial assets

The item, totalling EUR 156,377 thousand (EUR 44,167 thousand at 31 December 2017), consists of funds to the subsidiaries Basi 15 Srl and Svim 15 Srl (at a rate of 0.15%, revocable bearing interest, for respective totals of EUR 3,401 thousand and EUR 1,085 thousand), the subsidiary Alfacem Srl (revocable and not bearing interest, for a total of EUR 150,485 thousand), the subsidiary Cementir España (revocable and not bearing interest, for a total of EUR 260,000 thousand) and finally the subsidiary Spartan Hive Spa (revocable and not bearing interest for a total of EUR 400 thousand).

The change, equal to EUR 112.2 million, includes EUR 111.8 million of the loan to the subsidiary Alfacem Srl. The conditions of such loans, not bearing interest and revocable, were replaced by interest-bearing and expiring loans starting from 1 January 2019.

The item also included EUR 745 thousand of accrued income for the loan granted to the subsidiary Aalborg Portland Holding A/S and recognised using the amortised cost method.

8) Current tax assets

Current tax assets totalled EUR 4,459 thousand (EUR 4,288 thousand at 31 December 2017) and consisted of IRES and IRAP payments on account to the tax authorities in the current and previous years (EUR 725 thousand), IRES reimbursements requested for the non-deductibility of IRAP in previous years (EUR 1,009 thousand) and withholdings on royalties from the use of the trademark by the Turkish subsidiary Cimentas (EUR 2,725 thousand).

9) Other current assets

The item totalled EUR 2,649 thousand (EUR 1,252 thousand at 31 December 2017) and breaks down as follows:

(EUR'000)		**31.12.2018**	**31.12.2017**
Subsidiaries (IRES tax consolidation scheme)	(note 30)	880	326
Prepayments		147	176
VAT assets		1,412	647
Other receivables		210	103
Other current assets		**2,649**	**1,252**

10) Cash and cash equivalents

This item, totalling EUR 51,907 thousand (EUR 4,022 thousand at 31 December 2017) consists of cash and cash equivalents held by the Company and breaks down as follows:

(EUR'000)		**31.12.2018**	**31.12.2017**
Bank deposits		51,904	4,019
Bank deposits - related parties	(note 30)	-	-
Cash-in-hand and cash equivalents		3	3
Cash and cash equivalents		**51,907**	**4,022**

The change is mainly attributable to temporary loan received from the subsidiary Aalborg Portland Holding A/S for EUR 30,000 thousand and for the remaining part to the net financial result of the Company.

11) Share capital

The Company's share capital consists of 159,120,000 ordinary shares with a par value of EUR 1 each. It is fully paid-up and has not changed with respect to the previous year end.

12) Share premium reserve

This item, at 31 December 2018, totalling EUR 35,710 thousand, is unchanged from the previous year end.

13) Other reserves

Other reserves totalled EUR 133,910 thousand (EUR 269,317 thousand at 31 December 2017) and break down as follows:

(EUR'000)	**31.12.2018**	**31.12.2017**
Monetary revaluation reserves	-	97,733
Legal reserve	31,824	31,824
Other reserves	97.790	119,552
Retained earnings	4,296	20,208
Other reserves	**133,910**	**269,317**

Equity items

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

(EUR'000)

Nature / Description	Amount	Possible use	Available portion	Summary of utilisation In previous three years: to cover losses	Summary of utilisation In previous three years: for other reasons
Share capital	**159,120**				
Share premium reserve	35,710	A,B,C	35,710	-	-
Revaluation reserve, as per Law 342/2000 2000 and 2003	-	A,B,C	-	97,733	-
Legal reserve	31,824	B	31,824	-	-
Reserve for grants related to assets	13,207	A,B	13,207	-	-
Reserve as per Article 15 of Law no. 67 of11/3/8867	138	A,B	138	-	-
Reserve as per Law 349/95	41	A,B	41		
Goodwill arising on merger reserve	76,744	A,B,C	76,744	21,332	-
Other IFRS reserves - Revaluation reserve a per Law 266/05	-	A,B,C	-	13,573	-
Other IFRS reserves	7,659	-	-	-	-
Retained earnings	4,296	A,B,C	4,296	-	47,736
Total reserves	**169,619**		**161,960**	**132,638**	**47,736**
Non-distributable portion			**45,210**		
Remaining distributable portion			**116,750**		
Loss for the year	**(5,353)**				
Total equity	**323,386**				

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

The reserves that form part of the company's taxable profit if distributed total EUR 13,207 thousand.

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

Dividends

During the year, the company distributed a total of EUR 15,912 thousand in dividends to shareholders for 2017, corresponding to EUR 0.10 per ordinary share.

14) Employee benefits

Post-employment benefits totalled EUR 299 thousand (EUR 298 thousand at 31 December 2017). The figure represents the company's estimate of its obligation, determined using actuarial techniques, to employees upon termination of employment. On 1 January 2007, the Finance Act and related implementing decrees introduced significant reforms to the regulations governing post-employment benefits, including the right of

employees to decide where to allocate their accruing benefits. Benefits may be transferred to a pension fund or kept within the company, in which case they are transferred to a special treasury fund set up by INPS.
As a result of the reforms, accruing post-employment benefits now qualify as a defined contribution plan rather than a defined benefit plan.

The actuarial assumptions used for their measurement are summarised below:

Values in %	31.12.2018	31.12.2017
Annual discount rate	1.15%	0.90%
Annual post-employment benefits growth rate	2.62%	2.62%

Changes in the liability are shown below:

(EUR'000)	31.12.2018	31.12.2017
Net liability *opening balance*	**298**	**448**
Current service cost	-	-
Interest cost	9	4
Payments of post-employment benefits	(2)	(138)
Net actuarial gains recognised in the year	(6)	(15)
(Contributions received)	-	-
(Benefits paid)	-	-
Net liability *closing balance*	**299**	**298**

"Employee benefits" included EUR 1,004 thousand relative to long-term incentives granted to executives.

15) Financial liabilities

Non-current and current financial liabilities are shown below:

(EUR'000)		31.12.2018	31.12.2017
Bank loans and borrowings		328,110	504,602
Bank loans and borrowings - related parties	(note 30)	**-**	**-**
Non-current financial liabilities		**328,110**	**504,602**
Bank loans and borrowings		-	6,450
Bank loans and borrowings - related parties	(note 30)	30,000	-
Current portion of non-current financial liabilities		944	21,412
Fair value of derivatives		9,863	8,679
Other loan liabilities		545	232
Current financial liabilities		**41,352**	**36,774**
Total financial liabilities		**369,462**	**541,376**

Non-current payables to bank loans and borrowings , for EUR 328,110 thousand, refer for EUR 5,227 thousand to the floating-rate loan (Euribor 6 months + spread of 0.49%) granted by Banca Intesa SpA against a mortgage on the property located in Torrespaccata and expiring in 2024 and for EUR 322,883 thousand to the pool financing.

This Financing Contract breaks down as follows:

- Credit Line A (medium-long term) of EUR 315 million. In February 2018, Cementir Holding SpA, downstream of the sale of the Italian activities, repaid in full the residual amount of the credit line for EUR 194,750 thousand;
- Credit Line B (medium-long term) of EUR 330 million to be repaid in a single instalment in October 2021. At 31 December 2017, this credit line had been used in full.
- Revolving Credit Line of EUR 150 million, fully repayable at the end of the fifth year after 25 October 2016. At 31 December 2018, this credit line has not been used.

The Financing Contract is secured by collateral appropriate to the type of transaction and requires compliance with the financial covenants, which at 31 December 2018 have been met by the Company. In particular, the covenants to be complied with are the debt/EBITDA ratio, at consolidated level and the EBITDA/ Net financial expense ratio.

Current financial liabilities include the amount of a temporary loan received from the subsidiary Aalborg Portland Holding of EUR 30,000 thousand with a commitment to repay the subsidiary by and not after the first decade of the month of January 2019.

The current portion of non-current financial liabilities includes r instalments due in 2018 of the floating-rate loan (6M Euribor + spread of 0.49%) granted by Banca Intesa SpA secured by a company-owned property in Torrespaccata (EUR 944 thousand.

Other loan liabilities, totalling EUR 545 thousand, mainly consist of accrued interest due on non-current loans.

The negative fair value of derivatives totalled approximately EUR 9,863 thousand; the figure is related to the fair value measurement at 31 December 2018 of derivatives purchased to hedge interest rate, commodity price and currency risks connected with liabilities falling due between January 2019 and December 2027.

At 31 December 2018, a company-owned property in Torrespaccata, Rome, was mortgaged to third parties for EUR 7.6 million to secure the loan granted by Banca Intesa SpA.

Sureties given to third parties at 31 December 2018 amounted to EUR 34,324 thousand. They include sureties of EUR 9,324 thousand issued to the subsidiaries Quercia Limited and Neales Waste Management, for Intesa San Paolo Spa and UniCredit (GBP 8.3 million).

Sureties in GBP were translated into euros at the exchange rates effective at 31 December 2018, equal to EUR/GBP 0.8945.

The company’s exposure, broken down by due date of the financial liabilities, is as follows:

(EUR’000)		31.12.2018	31.12.2017
Within three months		30,128	198,903
- *third parties*		*128*	*198,903*
- *related parties*	*(note 30)*	*30,000*	-
Between three months and one year		11,224	1,430
- *third parties*		*11,224*	*1,430*
- *related parties*	*(note 30)*	-	-
Between one and two years		976	4,875
- *third parties*		*976*	*4,875*
- *related parties*	*(note 30)*	-	-
Between two and five years		326,050	334,944
- *third parties*		*326,050*	*334,944*
- *related parties*	*(note 30)*	-	-
After five years		1,084	1,223
Total financial liabilities		**369,462**	**541,376**

The carrying amount of current and non-current financial liabilities equals their fair value.

Net financial debt

As required by CONSOB Communication 6064293 of 28 July 2006, the company’s net financial debt is shown in the next table:

(EUR’000)	31.12.2018	31.12.2017
A. Cash	3	3
B. Other cash equivalents	51,904	4,019
D. Cash and cash equivalents (A+B+C)	**51,907**	**4,022**
E. Current loan assets	**156,377**	**255,597**
F. Current bank loans and borrowings	-	(6,450)
G. Current portion of non-current debt	(944)	(21,412)
H. Other current loan liabilities	(40,408)	(8,935)
I. Current financial debt (F+G+H)	**(41,352)**	**(36,797)**
J. Net current financial debt (I-E-D)	**166,932**	**222,822**
K. Non-current bank loans and borrowings	(328,110)	(504,602)
N. Non-current financial debt (K+L+M)	**(328,110)**	**(504,602)**
O. Net financial debt (J+N)	**(161,178)**	**(281,781)**

The Company’s net financial debt at 31 December 2018 amounted to EUR 161.2 million (EUR 281.8 million at 31 December 2017) down by EUR 120.6 million compared to the previous year. That change is due to the sale of the Cementir Italia Group at the beginning of the year for EUR 315 million and the full repayment (EUR 194.7

million) of the Facility A credit line during the year. In addition, dividends totalling EUR 15.9 million were distributed to shareholders.

In compliance with CONSOB Communication 6064293 of 28 July 2006, the loan to the subsidiary Aalborg Portland Holding A/S – categorised as a non-current financial asset – has not been included in the calculation of the Company's net financial debt.

If the loan had been included, the net financial debt of Cementir Holding SpA would have been EUR 9.8 million (as represented below).

(EUR'000)	31.12.2018	31.12.2017
Current financial assets	156,377	255,597
Cash and cash equivalents	51,907	4,021
Current financial liabilities	(41,352)	(36,797)
Non-current financial liabilities	(328,110)	(504,602)
Net financial debt (as per CONSOB Communication)	**(161,178)**	**(281,781)**
Non-current financial assets	151,384	179,784
Total net financial debt	**(9,794)**	**(101,997)**

16) Trade payables

The carrying amount of trade payables approximates their fair value. Their balance of EUR 2,442 thousand (EUR 2,447 thousand at 31 December 2017) may be analysed as follows:

(EUR'000)		31.12.2018	31.12.2017
Trade payables – third parties		1,979	2,432
Trade payables - related parties	(note 30)	463	13
Trade payables		**2,442**	**2,445**

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

17) Deferred tax assets and liabilities and Current taxes

(EUR'000)	31.12.2017	Accruals, net of utilisation in profit or loss	Increase, net of decreases in equity	Other changes	31.12.2018
Tax losses	12,800	(3,681)	-	-	9,119
Other	4,443	4,000	731	-	9,174
Deferred tax assets	**17,243**	**319**	**731**	**-**	**18,293**
Difference between fair value and their tax base	4,239	-	1,335	-	5,574
Deferred tax liabilities	**4,239**	**-**	**1,335**	**-**	**5,574**

At 31 December 2018, deferred tax assets, totalling EUR 18,293 thousand, consisted mainly of IRES assets due to the tax losses of companies that opted to join the national tax consolidation scheme. The company expects to recover them over the coming years within the timeframe defined by the relevant legislation. The change compared to the previous year, of EUR 1,050 thousand, is due to accruals for non-deductible interest expense and risk provisions taxed net of use of tax losses.

Deferred tax liabilities, totalling EUR 5,574 thousand at 31 December 2018, consisted of EUR 4,601 thousand in IRES liabilities and EUR 973 thousand in IRAP liabilities.

18) Other current liabilities and current and non-current provisions

(EUR'000)		**31.12.2018**	**31.12.2017**
Personnel		1,523	1,504
Social security institutions		721	770
Other liabilities		10,820	2,948
Subsidiaries (IRES and VAT tax consolidation scheme)	(note 30)	167	272
Other current liabilities		**13,231**	**5,495**

The other liabilities mainly refer to fees paid to directors and statutory auditors for a total of EUR 3,286 thousand and the result of the Antitrust proceedings commenced by the competent Antitrust Authority (AGCM) and as per decision by the Council of State at the hearing of 7 February 2019, for EUR 5,090 thousand.

The amount due to subsidiaries primarily comprises amounts owed by Cementir Holding to companies that have joined the national IRES tax consolidation scheme following the assignment of tax losses of previous years.

At 31 December 2018, non-current and current provisions amounted to EUR 370 thousand (EUR 45 thousand at 31 December 2017) and EUR 10,149 thousand respectively, mainly due to some clauses of the transfer agreement of the Italian assets.

19) Revenue

(EUR'000)	2018	2017
Services	26,610	27,792
Revenue	**26,610**	**27,792**

Revenue included EUR 17,137 thousand in revenue from consultancy services provided to subsidiaries and EUR 8,718 thousand from royalties on the use of the trademark by those same subsidiaries.

Note 30) Related-party transactions provides more information about revenue from subsidiaries, associates and other Group companies.

20) Increase for internal work

Increase for internal work, equal to EUR 1,079 thousand, reflects the work performed by employees of Cementir Holding to install IT software that will have economic benefits over multiple years. This amount was capitalised in intangible assets and will be amortised according to the useful life of the IT software.

21) Other operating revenue

(EUR'000)	2018	2017
Building lease payments	176	246
Other revenue and income	1,401	77
Other operating revenue	**1,577**	**323**

Building lease payments refer to leases on the property in Torrespaccata, Rome.

The item Other revenues expense and income mainly includes remuneration for rights to use brands.

22) Personnel costs

(EUR'000)	2018	2017
Wages and salaries	9,689	9,710
Social security charges	2,809	3,051
Other costs	876	2,854
Personnel costs	**13,374**	**15,615**

The caption Other costs is referred to one-off charges.

The company's workforce breaks down as follows:

	31.12.2018	31.12.2017	2018 average	2017 average
Executives	30	27	29	29
Middle management, white-collar workers and intermediates	42	54	46	58
Total	**72**	**81**	**75**	**87**

23) Other operating costs

(EUR'000)	2018	2017
Consultancy	1,720	1,540
Directors' fees	5,051	4,393
Independent auditors' fees	150	146
Other services	2,171	2,053
Other operating costs	8,028	4,533
Other operating costs	**17,120**	**12,665**

Other services included, *inter alia*, statutory auditors' fees (EUR 146 thousand) and costs for managing the Torrespaccata property (EUR 8 thousand).

Other operating costs included mainly the sanction of EUR 5,090 thousand related to the Antitrust proceedings of the Italian Antitrust Authority (AGCM), as per decision of the Council of State on 7 February 2019 and the lease payments for the Corso di Francia property (EUR 1,489 thousand). The total includes transactions with related parties (see note 30).

24) Amortisation, depreciation, impairment losses and provisions

(EUR'000)	2018	2017
Amortisation	1,669	1,387
Depreciation	173	155
Provisions	10,474	-
Amortisation, depreciation, impairment losses and provisions	**12,316**	**1,543**

Amortisation, depreciation, impairment losses and provisions mainly referred to some clauses contained in the Transfer agreement of the Italian assets.

25) Net financial expense

Net financial expense totalled EUR 8,660 thousand. This breaks down as follows:

(EUR'000)		2018	2017
Interest income from third parties		620	806
Interest income from related parties	(note 30)	3,978	9,045
Other financial income		22,036	9,053
Total financial income		**26,634**	**18,904**
Interest expense		(10,165)	(15,252)
Other financial expense		(7,809)	(126,178)
Total financial expense		**(17,974)**	**(141,430)**
Net financial income (expense)		**8,660**	**(122,526)**

Other financial income totalled EUR 22,036 thousand and mainly consisted of gains on derivative financial instruments purchased to hedge currency, interest rate and commodity risks.

Other financial expense totalled EUR 7,809 thousand and mainly refer to expenses connected to the A and B credit lines, the impact of introduction of IFRS 9 and bank charges.

In 2017 "Other financial expense" included the impairment loss on the investment in Cementir Italia SpA of EUR 121,638 thousand, sold in early 2018, deriving from the difference between the sale price and the carrying amount of the investment.

26) Income taxes

The item shows a net tax expense of EUR 468 thousand (expense of EUR 535 thousand in 2017) and breaks down as follows:

(EUR'000)	**2018**	**2017**
Current taxes	(787)	(3,462)
- *IRES*	*(787)*	*(3,045)*
- *IRAP*	-	*(417)*
Deferred tax assets	319	2,927
- *IRES*	*324*	*2,845*
- *IRAP*	*(5)*	*82*
Deferred tax liabilities	-	-
- *IRES*	-	-
Income taxes	**(468)**	**(535)**

The following table shows a reconciliation between the theoretical tax expense and the effective expense recognised in the income statement:

(EUR'000)	**2018**	**2017**
Theoretical tax expense	**(1,173)**	**29,450**
Taxable permanent differences	(1,536)	(31,241)
Deductible permanent differences	926	499
Prior year taxes	1,315	1,174
Change in IRES tax rate	-	-
Effective IRAP tax expense	-	(417)
Taxes	**(468)**	**(535)**

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

27) Other comprehensive expense

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

(EUR'000)	2018			2017		
	Post-tax amount	Tax effect	Post-tax amount	Post-tax amount	Tax effect	Post-tax amount
Financial instruments	(2.475)	731	**(1.744)**	(1,596)	472	**(1,124)**
Net actuarial gains (losses) on post-employment benefits	6	(2)	**4**	17	(4)	**13**
Total other comprehensive expense	**(2.469)**	**729**	**(1.740)**	**(1,579)**	**468**	**(1,111)**

28) Financial risk management and disclosures

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

Credit risk

The company's exposure to credit risk is not considered particularly significant as it chiefly does business with subsidiaries and related parties whose risk of insolvency is substantially inexistent.

Note 6 provides details about trade receivables due from third parties that are overdue, impaired or not yet due.

With respect to bank deposits and derivatives, the Company has always worked with leading counterparties, thus limiting its credit risk in this sense.

Liquidity risk

Liquidity risk concerns the availability of financial resources and access to credit market and financial instruments.

The company monitors its cash flows, funding requirements and liquidity levels in order to ensure the effective and efficient use of its financial resources.

The company has credit lines which cover any unforeseen requirements.

Note 15 provides a breakdown of financial liabilities by due date.

Market risk

The market risk mainly concerns currency and interest rate risks.

Currency risk

Cementir Holding SpA is directly exposed to currency risk to a limited degree in relation to loans and deposits held in foreign currency. The Company constantly monitors these risks so as to assess any impact in advance and take any necessary mitigating actions.

Interest rate risk

As Cementir Holding SpA has floating rate bank loans, it is exposed to the risk of fluctuations in interest rates. This risk is considered moderate as the company's loans are currently only in euros and the medium to long-term interest rate curve is not steep. Having thoroughly assessed the level of rates expected and debt reduction timing based on cash forecasts, Interest Rate Swaps are agreed to partly hedge the risk.

At 31 December 2018, the company's net financial debt amounted to EUR 161.2 million (including EUR 208.3 million in current loan assets and cash and cash equivalents, EUR 41.3 million in current loan liabilities and EUR 328.1 million in non-current loan liabilities). All its exposures are subject to floating interest rates.
With respect to the floating rate on net financial debt, an annual 1% increase in interest rates, assuming all the other variables remain stable, would have had a negative effect on profit before taxes of EUR 4.2 million (4,8 million in 2017) and on equity of EUR 3.1 million (3.5 million at 31 December 2017). A similar decrease in interest rates would have an identical positive impact.

29) Fair value hierarchy

IFRS 13 requires that assets and liabilities carried at fair value be classified using a hierarchy which reflects the sources of the inputs used to measure their fair value. The hierarchy consists of the following levels:
- Level 1: measurement of fair value using quoted prices on active markets for identical assets or liabilities which can be accessed by the entity at the valuation date;
- Level 2: measurement of fair value using inputs other than the quoted prices included within Level 1 which are directly observable (such as prices) or indirectly observable (i.e., derived from prices) on the market.
- Level 3: measurement of fair value using inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The fair value of assets and liabilities is classified as follows:

31 December 2018

(EUR'000)	Note	Level 1	Level 2	Level 3	Total
Investment property	3	-	-	23,000	**23,000**
Total assets		**-**		**23,000**	**23,000**
Current financial liabilities (derivative instruments)	15	-	9,863	-	**9,863**
Total liabilities		**-**	**9,863**	**-**	**9,863**

31 December 2017

(EUR'000)	Note	Level 1	Level 2	Level 3	Total
Investment property	3	-	-	23,000	**23,000**
Total assets		**-**		**23,000**	**23,000**
Current financial liabilities (derivative instruments)	15	-	8,679	-	**8,679**
Total liabilities		**-**	**8,679**	**-**	**8,679**

No transfers among the levels took place during 2018 and no changes in level 3 were made.

30) Related party transactions

Transactions performed by the Company with related parties are part of its normal business operations and usually take place at market conditions; there were no atypical or unusual transactions, not within normal company management, except for loans granted to the subsidiaries Basi 15 Srl, Svim 15 Srl, Alfacem Srl, Cementir España SL and Spartan Hive SpA, as described in Note 7.In particular, it should be noted the existence of not-bearing interest and revocable loans to the subsidiary Alfacem Srl. The conditions of such loans were replaced by interest-bearing and expiring loans starting from 1 January 2019.

On 5 November 2010, the Board of Directors of Cementir Holding SpA approved a new procedure for related party transactions complying with CONSOB guidelines, issued pursuant to CONSOB Resolution No. 17221 of 12 March 2010 and subsequent amendments and additions thereto. The procedure has been applicable starting from 1 January 2011 and is published on the corporate website www.cementirholding.it. On 3 March 2017, the Board of Directors resolved to make a number of changes to the related party transactions procedure, rendering it more effective and better suited to the operations, ownership structure and organisation of the Company. The changes reflect CONSOB recommendations and were subject to prior approval by a committee of independent directors.

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

Trade and financial transactions

2018 (EUR'000)	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Trade payables	Current and non-current financial liabilities	Other current liabilities	Balance
Cimentas AS	11,467	-	-	-	-	-	-	**11,467**
Alfacem Srl	-	-	150,485	269	-	-	(56)	**150,698**
Aalborg Portland Holding A/S	6,658	151,384	-	-	-	(30,000)	-	**128,042**
Basi 15 Srl	-	-	3,401	-	-	-	(87)	**3,314**
Svim 15 Srl	-	-	1,085	-	-	-	(24)	**1,062**
Cementir España SL	-	-	260	-	-	-	-	**260**
Aalborg Portland A/S	-	-	-	-	-	-	-	**-**
Sinai White Portland Cement Co.S.A.E.	19	-	-	-	-	-	-	**19**
Quercia Ltd	-	-	-	8	-	-	-	**8**
Spartan Hive SpA	180	-	400	603	-	-	-	**1,182**
Caltagirone SpA	33	-	-	-	(450)	-	-	**(417)**
Vianini Lavori SpA	-	-	-	-	(13)	-	-	**(13)**
Piemme SpA	-	-	-	-	-	-	-	**-**
Compagnie des Ciments Belges SA	8	-	-	-	-	-	-	**8**
Aalborg Portland Malaysia Sdn. Bhd.	38	-	-	-	-	-	-	**38**
Aalborg Portland Anqing CO. LTD.	4	-	-	-	-	-	-	**4**
Total	**18,407**	**151,384**	**155,632**	**880**	**(463)**	**(30,000)**	**(167)**	**295,673**
Total financial statements item	**18,584**	**152,673**	**156,377**	**2,649**	**(2,442)**	**(328,110)**	**(13,231)**	
% of financial statements item	**99.05%**	**99.16%**	**99.52%**	**32.21%**	**18.95%**	**9.14%**	**1.26%**	

2017 (EUR'000)	Trade receivables	Non-current financial assets	Current financial assets	Other current assets	Trade payables	Current and non-current financial liabilities	Other current liabilities	Balance
Cimentas AS	7,503	-	-	-	-	-	-	**7,503**
Alfacem Srl	-	-	38,723	269	-	-	(111)	**38,881**
Aalborg Portland Holding A/S	4,506	177,808	-	-	-	-	-	**182,314**
Basi 15 Srl	-	-	3,389	-	-	-	(130)	**3,259**
Svim 15 Srl	-	-	992	-	-	-	(31)	**961**
Cementir España SL	-	-	128	-	-	-	-	**128**
Aalborg Portland A/S	-	-	-	-	-	-	-	**-**
Sinai White Portland Cement Co.S.A.E.	-	-	-	-	-	-	-	**-**
Quercia Ltd	-	-	-	4	-	-	-	**4**
Spartan Hive SpA	-	-	-	53	-	-	-	**53**
Caltagirone SpA	25	-	-	-	-	-	-	**25**
Vianini Lavori SpA	-	-	-	-	(13)	-	-	**(13)**
Piemme SpA	-	-	-	-	-	-	-	**-**
Total	**12,034**	**177,808**	**43,232**	**326**	**(13)**	**-**	**(272)**	**233,115**
Total financial statements item	**12,315**	**179,784**	**44,167**	**1,252**	**(2,445)**	**(504,602)**	**(5,495)**	
% of financial statements item	**97.72%**	**98.90%**	**97.88%**	**26.04%**	**0.53%**	**0.00%**	**4.95%**	
Cementir Italia SpA	-	-	211,430	516	-	(23)	(29,172)	**182,751**
Betontir SpA	-	-	-	-	-	-	(4,608)	**(4,608)**
Cementir Sacci SpA	-	-	-	-	(1)	-	(4,760)	**(4,761)**
Total with related parties held for sale	**-**	**-**	**211,430**	**516**	**(1)**	**(23)**	**(38,540)**	**173,382**

Revenue and costs

2018 (EUR'000)	Operating revenue and other income	Financial income	Operating costs	Balance
Caltagirone SpA	-	-	(450)	**(450)**
Cimentas AS	5,413	-	-	**5,413**
Alfacem Srl	-	-	-	**-**
Basi 15 Srl	-	5	-	**5**
Svim 15 Srl	-	2	-	**2**
Aalborg Portland Holding A/S	20,229	3,971	-	**24,200**
Aalborg Portland A/S	-	-	-	
Sinai White Portland Cement Co.S.A.E.	19	-	-	**19**
Vianini Lavori SpA	-	-	(42)	**(42)**
Piemme SpA	-	-	(18)	**(18)**
Spartan Hive SpA	147	-	-	**147**
Compagnie des Ciments Belges SA	8	-	-	**8**
Aalborg Portland Malaysia Sdn. BHD.	38	-	-	**38**
ICAL SpA	-	-	(1,489)	**(1,489)**
Total	**25,855**	**3,978**	**(1,998)**	**27,835**
Total financial statements item	**29,266**	**26,633**	**(17,120)**	
% of financial statements item	**88.35%**	**14.94%**	**11.67%**	

2017 (EUR'000)	Operating revenue and other income	Financial income	Operating costs	Balance
Caltagirone SpA	-	-	(450)	**(450)**
Cimentas AS	5,888	-	-	**5,888**
Cementir Italia SpA	3,923	4,287	(1,281)	**6,930**
Alfacem Srl	-	-	-	**-**
Basi 15 Srl	-	5	-	**5**
Svim 15 Srl	-	1	-	**1**
Aalborg Portland Holding A/S	17,981	4,752	-	**22,733**
Aalborg Portland A/S	-	-	-	**-**
Sinai White Portland Cement Co.S.A.E.	-	-	-	**-**
Vianini Lavori SpA	-	-	(42)	**(42)**
Piemme SpA	-	-	(18)	**(18)**
ICAL 2	-	-	-	**-**
Total	**27,792**	**9,045**	**(1,791)**	**35,047**
Total financial statements item	**29,640**	**18,904**	**(12,665)**	
% of financial statements item	**93.76%**	**47.85%**	**14.14%**	

Revenue from the subsidiaries Cimentas AS and Aalborg Portland Holding A/S refers to fees for the Trademark Licence Agreement and fees for the Cementir Group Intercompany Service Agreement, whereas solely for Spartan Hive S.p.A., revenue only refers to fees for the Cementir Group Intercompany Service Agreement. Revenue from the other group companies Sinai White Cement, CCB and Aalborg Portland Malaysia relate to changes of the social security and insurance expenses of the Cementir Holding personnel in loco. For operating costs, the amount of EUR 1,489 thousand related to ICAL refers to rent payments for the Corso di Francia building, where the company's registered office is located.

Trade receivables refer to invoices for management and branding fees sent to Cimentas, Aalborg Portland and Spartan Hive for the latter, as described above, only for managerial services.

Financial assets refer to interest-bearing loans to Aalborg Portland Holding S/A (EUR 151,384 thousand), Basi 15 Srl (EUR 3,401 thousand) and Svim 15 Srl (EUR 1.085 thousand), non-interest bearing loans to Alfacem (EUR 150,485 thousand), Spartan Hive (EUR 400 thousand) and Cementir España (EUR 260 thousand).

Current financial liabilities, include the temporary loan from the subsidiary Aalborg Portland Holding of EUR 30,000 thousand.

Other current liabilities and other current assets mainly related to the effects of Cementir Holding SpA and the companies Alfacem, Spartan Hive, Basi and Svim joining the national tax consolidation scheme.

31) Independent auditors' fees

Fees paid in 2018 to the independent auditors totalled approximately EUR 131 thousand, including EUR 124 thousand for audit services and EUR 8 thousand for other services (EUR 170 thousand in 2017 of which EUR 129 thousand for audit services and EUR 41 thousand for other services).

32) Events after the reporting period

No other significant events occurred after the end of the year.

PROPOSALS FOR THE ALLOCATION OF THE YEAR-END LOSS FOR 2018 OF CEMENTIR HOLDING SPA

The Board of Directors proposes that the shareholders:

AT THEIR ORDINARY MEETING:

- approve the financial statements as at and for the year ended 31 December 2018 – including the statement of financial position, an income statement, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and these notes – showing a loss of EUR 5,353,200;
- to cover the loss for the year of EUR 5,353,200 with EUR 5,353,000 from goodwill arising on merger reserve.

AT THEIR ORDINARY MEETING:

- to pay Shareholders, as a dividend, a total of EUR 22,276,800 as EUR 0.14 for each ordinary share, gross of any taxes, using for the purpose EUR 4,296,171.18 from retained earnings for the years until 31 December 2007 and EUR 17,980,628.82 from goodwill arising on merger reserve, created by income related reserves allocated in the years closed after 31 December 2007 and until 31 December 2016.

Rome, 7 March 2019

Chairman of the Board of Directors
Francesco Caltagirone, Jr.
(signed on the original)

BLANK PAGE

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

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

- the adequacy, in relation to the characteristics of the Group, and
- the effective application of administrative and accounting procedures for the preparation of the separate financial statements for the period ended 31 December 2018.

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

3. They also state that:

3.1 the separate financial statements:

a) have been prepared in accordance with the applicable IFRS, as endorsed by the European Union in EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002;

b) are consistent with the entries in the accounting books and records;

c) provide a true and fair view of the financial position, financial performance and cash flows of the issuer.

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

Rome, 7 March 2019

Chairman of the Board of Directors	Manager responsible for financial reporting
/f/ Francesco Caltagirone, Jr.	/f/ Giovanni Luise

BLANK PAGE

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

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

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

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of Cementir Holding S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of Cementir Holding S.p.A. as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

There are no key audit matters to report.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the separate financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on

the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2012, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2012 to 31 December 2020.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that the opinion on the separate financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of the a directors' report and a report on corporate governance and ownership structure at 31 December 2018 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2018 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the company's separate financial statements at 31 December 2018 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Rome, 26 March 2019

KPMG S.p.A.

(signed on the original)

Marcella Balistreri
Director of Audit

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

Pursuant to article 153 Legislative Decree 58/98 and article 2429, paragraph 3 of the Civil Code

Dear Shareholders,

Over the course of the financial year which ended on 31 December 2018, the Board of Auditors carried out its supervisory activity as established by law and by the articles of association, in compliance with the regulations in force governing joint-stock companies listed in regulated markets and in compliance with Legislative Decree 58 dated 24 February 1998, as statutory auditing falls under the responsibility of the Independent Auditors KPMG S.p.A.. The activities carried out by the Board of Auditors have also been carried out in full respect of the Code of Conduct established by the National Board of Chartered Accountants and Accounting Experts.

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

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code of listed companies prepared by the Committee for the corporate governance of listed companies in the last edition of July 2015 (hereinafter the "Corporate Governance Code"). The annual Report on corporate governance, prepared in accordance with Article 123-bis of the Consolidated Finance Act (TUF), was approved by the Board of Directors on 7 March 2019: in line with best practices and with the approach adopted in previous years, expressing the recommendations of the code adopted and those for which it was deemed appropriate not to adhere based on the "*comply or explain*" principle. The recommendations provided by the Committee for Corporate Governance of the

Italian Stock Exchange in the letter dated 21 December 2018 were also brought to the attention of the Board of Directors.

The Board of Auditors positively checked that its members complied with the independence criteria dictated by the Corporate Governance Code. Board of Auditors' members complied with the limit on holding several positions established by the Consob Issuers Regulation. Controls were also carried out, pursuant to Legislative Decree 39/2010, that the members of the Board of Auditors hold, as a whole, the competences of the sector the Company operates in.

During financial year 2018, the Company once again checked, with positive results, that directors qualified as "independent" pursuant to the Corporate Governance Code and to laws in force, effectively comply with those requirements.The Board of Directors currently in office was appointed by the Shareholders' Meeting of 18 April 2018 and has thirteen directors. Board composition is consistent with gender balance laws and regulations in force (law 120 of 12 July 2011). On 23 April 2018, the Board of Directors appointed three internal Board Committees: Control and Risks Committee, Appointments and Remuneration Committee and the Related Parties Committee. During the same meeting, Mr Paolo Di Benedetto was confirmed as Lead Independent Director.. Furthermore, the Board of Auditors was able to check that the Board of Directors had carried out, referred to financial year 2018 and for Corporate Governance Code purposes, the self-assessment of the size, composition and functioning of the Board itself and of its Committees; from the analysis of that process a positive overall assessment emerged on Board activities and functioning, and its size and composition.

The Company has adopted a specific Privileged Information Code for the correct management of information flows and the processing of confidential and privileged information. This was reviewed by the Board of Directors during 2018, in order to implement regulatory changes made to Consolidated Finance Act by Legislative Decree 107 of 10 August 2018.

The Board of Auditors, in compliance with EU Regulation 596/2014 and CONSOB Resolution 11971 dated 14 May 1999, has verified that the Internal Dealing Code – that the Company had already adopted in 2006 – was reviewed. In particular, the updating of that Code was decided by the Board of Directors on 26 July 2018, along with the review of the Code of Ethics. The document was also published on the Company website as of 1 August 2018.

The separate Financial Statements of the Company as at 31 December 2018 are being submitted for your examination. They were drawn up based on the IAS/IFRS International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Union, and in compliance with provisions issued to implement art. 9 of Legislative Decree 38/2005.

The Directors' Report sums up the main risks and uncertainties and illustrates the foreseeable evolution of management. The financial statements of the Company include the statement of financial position, the income statement, the statement on changes to equity, the financial report, the consolidated financial statements with relative annexes and the explanatory Notes. The financial statements also include the Directors' Report; and, in compliance with art. 123-*bis* of the TUF, the aforementioned Report on Corporate Governance and Ownership Structures and, pursuant to art. 123-*ter* del TUF, the Remuneration Report, and the individual non-financial Statement pursuant to Legislative Decree 254/2016 have all also been prepared.

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

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

CONSIDERATIONS ON TRANSACTIONS WITH THE GREATEST FINANCIAL IMPACT PERFORMED BY THE COMPANY IN 2018

The Board of Auditors obtained all the information deemed useful regarding the activities carried out in financial year 2018, both by the Parent Company and the subsidiary companies, in full respect of the contents of article 151, paragraph 1 of the Consolidated Finance Act (TUF).
On this point, the scope of consolidation at 31 December 2018 suffered some changes compared to 31 December of the previous year, due to the following transactions:

- sale of Cementir Italia S.p.A and companies fully controlled by the latter, that is Cementir Sacci S.p.A. and Betontir S.p.A. finalised on 2 January 2018. The figures of the Italian companies sold were entered in the financial statements following reclassification of the amounts related to the item “Profit (loss) from discontinued operations”, pursuant to accounting standard IFRS 5;
- acquisition of a further 38.75% in Lehigh White Cement Company (LWCC), finalised on 29 March 2018.As a result of that transaction, the Cementir group now controls LWCC with a share of around 63.25%.Acquiring control of LWCC involved recalculating the fair value of the 24.5% investment already held by Cementir:
- sale of the investment in Sola Betong AS, held by Unicon AS at 33,33%; in 2017 the above investment was consolidated to equity.

Having said that, the most important economic, financial and investment transactions carried out in the year, also through subsidiaries, can be considered, in the Board of Auditors' opinion, as decided in compliance with the law and the articles of association. They were not evidently imprudent, risky or in conflict with

Shareholders' meeting resolutions, or such as to threaten the integrity of Equity. Concerning the elements and data acquired during the meetings of the Board of Directors, the Board of Auditors can confirm that there is no evidence that the Directors carried out transactions in potential conflict of interest. The transactions of particular importance that marked corporate activity have been described in detail in the Directors' Report, to which reference is made.

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

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

During the financial year 2018, the Board of Auditors did not identify, and did not receive notifications from the Board of Directors, Independent Auditors and the Internal Audit Department, any atypical and/or unusual transactions performed with the companies of the Group, with third parties or related parties.

In the notes to the financial statements, in accordance with instructions established by IAS 24 and CONSOB Communication 17221 dated 12 March 2010, the Directors provide information on the intra-group transactions highlighting the relationships with subsidiaries, associates and parent companies, whether of a financial or commercial nature. In the light of controls carried out, the Board of Auditors believes that the information provided in financial statement documents is adequate. Examination shows that infra-group transactions were part of ordinary management and were regulated under market conditions. It is acknowledged that the transactions detailed therein were performed in compliance with methods established in the specific procedure, adopted in compliance with article 2391 bis of the Civil Code and CONSOB implementation regulations.On this point, please refer to what is detailed in the Directors' Report and, in particular, to notes 34 of the consolidated financial statements and 30 of the separate financial statements.

PRINCIPLES OF PROPER ADMINISTRATION AND ADEQUACY OF THE ORGANIZATIONAL STRUCTURE

The Board of Auditors received information and carried out supervision, within the limits of its powers, on the adequacy of the Company organisational structure, on compliance with the principles of proper administration, and on observance of the law and the Articles of Association. It monitored the prompt application of the provisions issued by Cementir Holding S.p.A. to its subsidiaries pursuant to Article 114, paragraph 2, of Legislative Decree 58/98, by acquiring information from the managers of the competent internal company departments.

The Board of Auditors verified implementation of the independence criteria and of the verification procedures adopted by the Board of Directors, both for independent Directors and for members of the Board of Auditors. It acquired said declarations and referred to them during its activity. The relative documents are held with the records of the Company which fulfilled all required information obligations. The Board of Auditors verified the requirements established by the Corporate Governance Code for Listed Companies regarding the non-existence of causes of ineligibility, as well as regarding the application of best practices in terms of composition, gender and professional experience.

The Board of Auditors verified effective implementation of corporate governance regulations established the Corporate Governance Code and by article 149, paragraph 1, letter c-bis of the Consolidated Finance Act (TUF), carrying out the related controls pursuant to article 36, paragraph 1 of the CONSOB Regulation 20249/2017 (Markets).

For what concerns the remuneration policy adopted and relative information established by article 123-ter of Legislative Decree 58/98, it was checked by the Appointments and Remuneration Committee and approved by the Board of Directors. The Board has nothing to say on the matter. On 12 November 2018, the Company hired Mr Giovanni Luise as CFO and Manager Responsible for Financial Reporting. He replaces Mr Massimo Sala who has left the Group.

The Chairperson of the Board of Auditors took part in all the meetings of the Appointments and Remuneration Committee, the Control and Risks Committee and in the three meetings of the Supervisory Body she was invited to, reporting to Auditors on subjects dealt with and the relative conclusions.

The Board of Auditors also verified the adequacy and reliability of the administrative and accounting system to properly present management events with the Manager Responsible for Financial Reporting, as required by Article 16 of the Articles of Association, thanks to a constant exchange of information.

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

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

The Chairperson of the Board of Auditors attended the meetings of the Control and Risks Committee, reporting to the Auditors on the matters that were specifically examined, from which no significant elements to report emerged

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

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

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

On 23 April 2018, the Board of Directors renewed the Supervisory Body for the 2018-2020 three-year period in the persons of: Prof. Mario Venezia (Chairperson and independent external member), Mr. Francesco Paolucci, head of the Risk and Compliance function and Mr. Franco Doria, head of Internal Audit. On 26 July 2018, the Board of Directors appointed Mr Claudio Criscuolo (General Counsel of the Group) as a member of the Supervisory Body, to replace Mr Paolucci who had left the Group in the meantime.

ADEQUACY AND RELIABILITY OF THE ADMINISTRATIVE SYSTEM TO PRESENT MANAGEMENT EVENTS

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

The Chief Executive Officer and Manager Responsible for Financial Reporting have certified referred to the Company's Financial Statements for 2018: (i) adequacy related to company characteristics and effective application of the administrative and accounting procedures for drafting the separate Financial Statements for the year during 2018; (ii) compliance of the contents of the Financial Statements themselves with the international accounting standards applicable acknowledged by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council of 19 July 2002; (iii) the consistency of the Financial Statements in question with the results in books and accounts and their being suitable to present the true, correct capital, economic and financial situation of the Company; (iv) that the Directors' Report includes a reliable analysis of management trend and results, and the Company situation, together with a description of the main risks and uncertainties it is exposed to. The aforementioned certification also points out the adequacy of administrative and accounting procedures for the drafting of the separate Financial Statements for financial year 2018.

The Company has declared that it has drawn up the separate Financial Statements for year 2018 in compliance with the IAS/IFRS international accounting standards recognised by the European Union pursuant to Regulation (EC) 1606/2002 and in force at the 2018 financial year closure date. Furthermore, the Company's separate Financial Statements for year 2018 were drawn up with business continuity in mind and applying the standard historical cost criterion, except for the assessment of financial assets and liabilities for which application of the fair value criterion is obligatory. The Notes illustrating the Financial Statements analytically indicate the accounting standards and assessment criteria adopted. For what concerns recently issued accounting standards, the Notes report on (i) the accounting standards approved by the European Union but not yet applicable, (ii) the accounting standards not yet approved by the European Union.

The Board of Auditors of Cementir Holding S.p.A. has also:

a. verified that the Directors' Report on Management for financial year 2018 complies with laws in force, and is consistent with resolutions taken by the Board of Directors and with facts presented in the Financial Statements;
b. ascertained the adequacy, from a method point of view, of the sensitivity analysis process implemented to check there was no loss of value for assets recognised in the financial statements
c. acknowledged the contents if the half-year Financial Report, without it being necessary to make any comments, and ascertained that the latter was made public as established by laws in force;
d. acknowledged that the Company continued to publish interim management Reports on a voluntary basis at 31 March and 31 September by the deadlines set by regulations previously in force;
e. supervised compliance with provisions in Legislative Decree 254/2016, also examining the separate non-financial Statement, also ascertaining compliance with provisions regulating drafting pursuant to that decree. The Auditing company, PricewaterhouseCoopers S.p.a. issued, on 26 March 2019, the Report containing the declaration of conformity, pursuant to art. 3 of Legislative Decree 254/2016 and art. 5 of CONSOB Regulation 20267, in all significant aspects, of the Non-Financial Statement (DNF) pursuant to Legislative Decree 254/2016 to what is required by the aforementioned Decree and the standards and methods set forth in the GRI Standards selected by the Company.

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

The Board of Auditors also checked compliance with the procedures for the publication and filing of the annual financial statements and interim reports, monitoring the preparation and dissemination of communications on significant financial information.The Board of Auditors also met the new Manager Responsible for Financial Reporting and listened to his initiatives on integration of the current digital platform.

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

In compliance with its mandate and with laws in force, the Board of Auditors fulfilled its role as coordinator of the different company functions, intervening in synergy with other control structures. In 2018, the Board of Statutory Auditors met nine times.

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

The Board of Auditors met with the Independent Auditors KPMG S.p.A., in charge of auditing the separate financial statements and consolidated financial statements, both during Board meetings and on other occasions to discuss specific matters. Regarding the results of the financial statements for the financial year which ended on 31 December 2018, the appropriate technical in-depth analyses were performed on the most significant entries in the document in constant cooperation with the Independent Auditors, in line with their respective areas of competence and responsibility. Pursuant to article 150, paragraph 3, of Legislative Decree 58/98, the meetings were for the reciprocal exchange of information and opinions, verifying the correct use of the accounting standards and their consistency in preparation of the separate and consolidated financial statements.

During the year the managers of the Independent Auditing company informed the Board of Auditors on the auditing plan prepared, its execution and on the results that emerged; from meetings no facts or situations emerged that have to be highlighted in this Report, either for the auditing or related to shortcomings in the internal control system.

The Auditing company, KPMG issued, on 26 March 2019, pursuant to articles 14 of Legislative Decree 39/2010 and 10 of EU regulation 537/2014, the Report in which it certified that:

a) the separate financial statements provide a true, correct picture of the capital and financial situation at 31 December 2018, the economic results and those of cash flows for the year closed at that date in compliance with the International Financial Reporting Standards adopted by the European Union, and provisions issued to implement article 9 of Legislative Decree 38/05.

b) the Directors' Report and some specific information contained in the report of corporate governance and the ownership structures indicated in article 123-bis, paragraph 4, of Legislative Decree 58/1998, area consistent with the separate financial statements at 31 December and are drafted pursuant to laws in force;
c) the opinion on the separate financial statements expressed in the aforementioned Report is consistent with what is indicated in the additional Report prepared pursuant to art. 11 of EU Regulation 537/2014 and intended for the Board of Auditors;
In its Report, the Auditing company declared that no elements leading it to consider that the Non-Financial Statement for year 2018 was not drafted, in all significant aspects, in compliance with what is required by the aforementioned Decree and the GRI Standards selected;
The Auditing company also sent the Board of Auditors, as the Committee for internal control and auditing, the additional Report foreseen by art. 11 of EU Regulation 537/2014, which highlighted:

- the most significant aspects of the auditing of the separate financial statements 2018
- the method used to audit, identify important risks and the significance applied
- no detection of shortcomings in the internal controls system related to the financial information process

Moreover, in that Report KPMG Spa confirmed, pursuant to art. 6, paragraph 2) letter 4) of European Regulation 537/2014, its independence and the measures adopted by the auditing company itself to limit those risks.

Pursuant to art. 17, paragraph 9, of Legislative Decree 39/2010, the Board of Auditors verified that the requirement of independent status of the Independent Auditors had been met and that no omissions or reprehensible facts or irregularities took place. At the same time, during supervisory activity, no significant events occurred that were such as to require notification to the supervisory bodies or a mention in this report.
The Independent Auditors expressed a favourable opinion on the approval of the financial statements submitted to the Shareholders' Meeting.
Please note that, for the financial year 2018, the following remuneration for statutory auditing tasks was paid to the independent auditors KPMG and its network:

- separate financial statements EUR 42,302;
- consolidated financial statements EUR 33,042;
- Limited audit of the condensed consolidated half-year report EUR 10,260;
- Signing of the Unified Tax Form EUR 1,060.

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

During 2018, based on what was reported by the Independent Auditors, parties belonging to the KPMG network were assigned non- auditing tasks by Cementir Holding S.p.a..

Remuneration paid for those non-audit assignments amount to a total, according to the Independent auditors, of EUR 40,159.

In its role as internal controls and auditing Committee, the Board of Auditors fulfilled the duties required by art. 19, paragraph 1, letter e) of Legislative Decree 39/2010 as amended by Legislative Decree 135/2016 and by art. 5 par. 4 of EU Regulation 537/2014 on prior approval of the aforementioned assignments, checking they were compatible with laws in force and, specifically, with provisions in art. 17 of Legislative Decree 39/2010 – as amended by Legislative Decree 135/2016 – and with the prohibitions in art. 5 of EU Regulation 537/2014, herein referred to.

Furthermore, the Board:

a) checked and monitored the independence of the Independent Auditors, pursuant to arts. 10, 10 bis, 10 ter, 10 quater and 17 of Legislative Decree 39/2010 and art. 6 of EU regulation 537/2014, ascertaining compliance with regulations in force on the question and that assignments for non-auditing tasks assigned to that company did not seem to generate potential risks for the auditing company's independence and for safeguards pursuant to art. 22-ter of Dir. 2006/43/EC;
b) examined the transparency report and the additional report drafted by the Independent Auditors in compliance with criteria in EU Reg. 537/2014, noting that, based on information acquired, no critical aspects emerged related to the independence of the Independent Auditors;
c) received written confirmation that the Independent Auditors did not provide non-auditing services that are forbidden pursuant to art. 5, paragraph 1, of EU Regulation 537/2014, confirming the independence related to the Company in performing the independent auditing.

During 2018, the Board of Auditors proposed adopting the specific procedure for the so-called no audit services, and the Company adopted it as of September 2018.

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

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

CONCLUSIONS

To perform its activities, the Board of Auditors met 8 times in 2018, took part in the Shareholders' Meeting of 19 April 2018 and in 7 Board of Directors' meetings.

While also taking into consideration the activities carried out at the beginning of the 2019 financial year, the Board of Auditors participated in 4 meetings of the Control and Risks Committee, 2 meetings of the Related Parties Committee and 5 meetings of the Appointments and Remuneration Committee.

In view of the work performed during the financial year and discussion with the Independent Auditors KPMG S.p.A., the Board of Auditors did not identify any impediments within its area of responsibility to the approval of financial statements at 31 December 2018. Specifically, it:

- expresses its favourable opinion on approval of the Final Financial Statements of Cementir Holding S.p.A. as at 31 December 2018 and the Directors' Report, to the financial statements of the Group and of the Company, which accompany them;
- deems that nothing precludes the Directors' proposal to cover the loss for the year 2018 of EUR 5,353,200 for EUR 5,353,200 using goodwill arising on merger reserve;
- deems that nothing precludes the Directors' proposal to distribute a dividend of EUR 0.14 per share, for a total of EUR 22,276,800 using for the purpose EUR 4,296,171.18 of retained earnings for the years until 31 December 2007, and for EUR 17,980,628.82 from goodwill arising on merger reserve, created by income-related reserves allocated in the years ending after 31 December 2007 and until 31 December 2016.

Lastly, the Board of Auditors has reviewed the consolidated 2018 Financial Statements of the Cementir Holding Group and has acknowledged the favourable opinion expressed in its respect by the Independent Auditors KPMG S.p.A.

Rome, 26 March 2019

The Board of Auditors of Cementir Holding S.p.A.
Silvia Muzi
Claudio Bianchi
Maria Assunta Coluccia