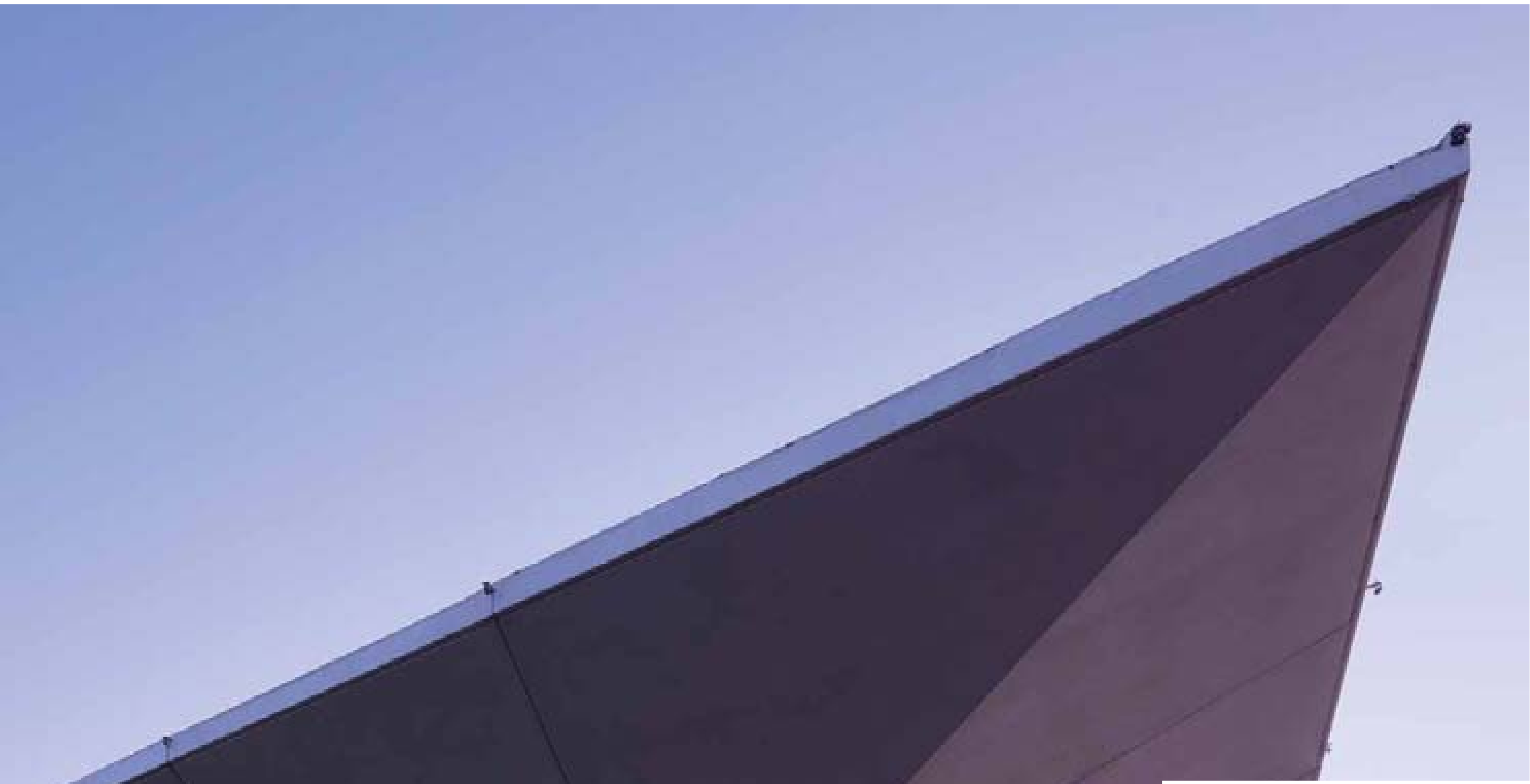
Italcementi
Italcementi Group




# 2012 Annual Report

# Italcementi
Italcementi Group


# 2012 Annual Report

**Italcementi S.p.A.**

Via G. Camozzi, 124 - 24121 Bergamo - Italy
Share Capital € 282,548,942
Bergamo Companies Register
Company subject to management
and coordination activity by Italmobiliare S.p.A.

*The photos illustrating this report refer to the **i.lab** project, the Italcementi Group's new Research and Innovation Center in Bergamo, designed by architect Richard Meier. The **i.lab** building, which covers a surface area of 23,000 square meters, has been build under LEED standards, the most authoritative rating system assessing the energy and environmental sustainability of buildings. Photo by Daniele Domenicali - info@danieledomenicali.com*

# Contents

## PRESENTATION



## GENERAL INFORMATION



## ANNUAL REPORT

### Consolidated Annual Report

#### Directors' report



#### Consolidated financial statements



### Italcementi S.p.A. Annual Report

#### Directors' report



#### Separate financial statements



This Annual Report has been prepared in English for the convenience of international readers.
The original Italian documents should be considered the authoritative version.

## SUSTAINABILITY DISCLOSURE

## Letter to the stakeholders

# Consolidating our new future today

Giampiero and Carlo Pesenti (on the right)

In 2012, expectations of a turnaround in the negative trend that has dominated the construction industry since 2008 faded as the economic situation worsened, especially in Europe, and in some cases moved into a recessionary phase, with the result that tangible indications of a recovery are now only expected to emerge in the near future.

This meant that the scenario in which our Group operated last year was split between more favorable conditions on the emerging markets, where most of our production capacity is located, and a more difficult market in the European countries worst hit by the effects of the crisis.

The Italian market, historically one of the most important in Europe, continues to present surplus production capacity with respect to a state of demand that has now fallen to levels on a par with the end of the 1960s. Given these new conditions, and the likelihood that a return to the high levels of the pre-crisis period is no longer possible, we have taken steps to rationalize our domestic industrial and distribution organization, but without cutting our market share. The chief goal of the ‘Project 2015’ program launched by Italcementi is to raise industrial and environmental efficiency through important investments to revamp the Rezzato cement plant (Brescia) after the measures taken in recent years in Calusco (Bergamo) and Matera. Together with the steps being taken to raise the utilization rate of our industrial facilities, further measures will be introduced under the plan to cut overheads, with regard to our central units and the sales network. In addition to rigorous control of its financial operations, the Group will continue its policy to keep net debt within the prudent limits that have always been one of the company’s distinguishing features.

A year after its opening, i.lab – the Group research center – is focusing with even greater determination on the innovation challenge as a strategic lever to build competitive advantage. This takes the form of a continuous search for sustainable production processes and innovative architectural solutions, to respond to growing market demand for applications and products that help improve the quality of life and construction quality. The i.lab is tangible proof of a positive change for the economy, the environment and society.

2013 marks the full integration into the Annual Report of the Sustainability Disclosure, an expression of an integrated vision of Group strategy aiming for a future where enterprises will necessarily and successfully combine industrial and economic development with careful use of natural resources and human rights. For more than ten years, our Group has actively supported the World Business Council for Sustainable Development, with Vision 2050 and the Cement Sustainability Initiative; the United Nations Global Compact, with the Ten Principles, as a platform to achieve the Millennium Development Goals and the Sustainable Development Goals.

Given these commitments, the strategies and action undertaken for 2013 will, despite the volatility in general world economic conditions, lead the Group to new challenges and an even greater determination to ensure that we generate shared value for all our stakeholders.

Giampiero Pesenti
Chairman

Carlo Pesenti
Chief Executive Officer

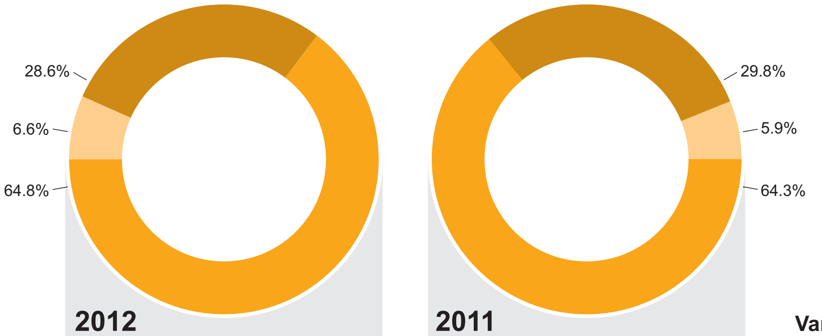
## Italcementi Group in the world

(as of December 31st 2012)

BELGIUM
CCB
BULGARIA
DEVNYA CEMENT
VULKAN CEMENT
ALBANIA
CYPRUS
VASSILIKO CEMENT
KAZAKHSTAN
SHYMKENT CEMENT
CHINA
GREECE
HALYPS CEMENT
ITALY
ITALCEMENTI
CALCESTRUZZI
CTG
ITALGEN
KUWAIT
HILAL
CEMENT
COMPANY
SYRIA
EGYPT
SUEZ CEMENT
TOURAH CEMENT
HELWAN CEMENT
READY MIX PRODUCTION
SAUDI ARABIA
INTERNATIONAL CITY FOR
READY MIX
INDIA
ZUARI CEMENT
GULBARGA CEMENT
SRI LANKA
THAILAND
JALAPRATHAN CEMENT
ASIA CEMENT

# Highlights

## Contribution to consolidated revenue by line of business

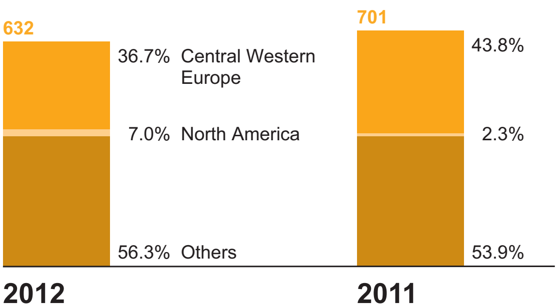



| (in millions of euro) | 2012 | | 2011 | | Var. % | Var. %* |
|---|---|---|---|---|---|---|
| Cement | 2,094 | 64.8% | 2,993 | 64.3% | (3.0) | (5.0) |
| Ready mixed concrete/Aggregates | 1,280 | 28.6% | 1,388 | 29.8% | (7.8) | (8.8) |
| Others | 296 | 6.6% | 276 | 5.9% | 7.2 | 15.7 |
| **Total** | **4,480** | | **4,657** | | **(3.8)** | **(4.9)** |

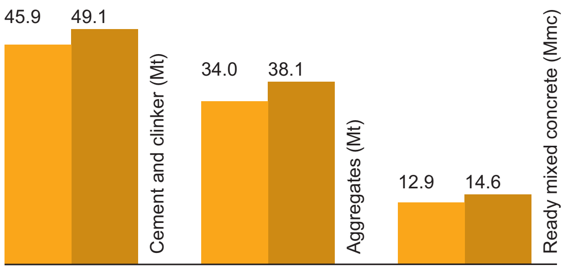
*changes at exchange rates and on a like-for-like basis

## Recurring EBITDA

(in millions of euro)




## Sales volumes and internal transfers by business




| | | |
|---|---|---|
| (6.6)% | (10.8)% | (10.8)% |
| (6.6)%* | (10.8)%* | (11.6)%* |

*change on a like-for-like basis

2012 2011

## Group business, financial and sustainability highlights

| (in millions of euro) | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Revenue | 4,480 | 4,657 | 4,660 | 5,006 | 5,776 |
| Recurring EBITDA | 632 | 701 | 842 | 972 | 1,113 |
| EBITDA | 615 | 742 | 839 | 957 | 1,103 |
| EBIT | (151) | 139 | 370 | 443 | 607 |
| Profit (loss) for the period | (362) | 91 | 197 | 215 | 277 |
| Profit (loss) attributable to owners of parent | (396) | (3) | 46 | 71 | 142 |
| Capital expenditure | 370 | 398 | 542 | 742 | 988 |
| Total equity | 4,240 | 4,895 | 4,986 | 4,692 | 4,622 |
| Equity attributable to owners of parent | 2,967 | 3,495 | 3,525 | 3,353 | 3,330 |
| Net debt | 1,998 | 2,093 | 2,231 | 2,420 | 2,679 |
| Number of employees at December 31 | 18,886 | 19,462 | 20,139 | 21,155 | 22,243 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Innovation rate | (% turnover) | 2.6 | 4.5 | 3.9 | 3.2 | 2.9 |
| $CO_2$ emissions | (kg $CO_2$/t cementitious product) | 712 | 708 | 722 | 717 | 727 |
| Lost time injury frequency rate | (Injuries per million worked hours) | 6.2 | 6.2 | 5.8 | 5.1 | 6.0 |
| Women in managerial position | (%) | 10 | 12 | 9 | 9 | 7 |

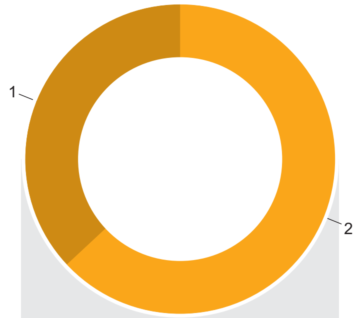
# Italcementi S.p.A. on the Stock Exchange

## Share capital and shareholders

### A) Share capital at 12.31.2012

At 12.31.2012, Italcementi S.p.A. share capital was € 282,548,942 represented by 282,548,942 shares with a par value of € 1 each, of which 177,117,564 ordinary shares and 105,431,378 savings shares.

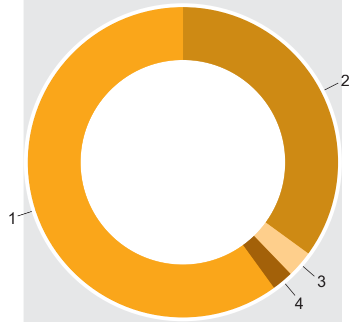
| | | |
|---|---|---|
| 1 | Savings shares | 37% |
| 2 | Ordinary shares | 63% |




### B) Ordinary shares

Survey of shareholders with over 2% of share capital at 12.31.2012 (based on the shareholders' register, Consob communications and other information).

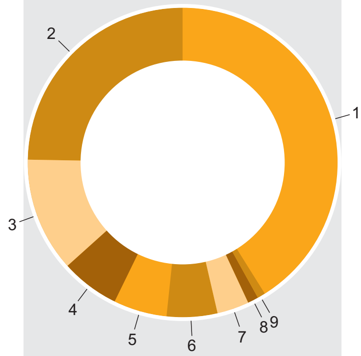
| | | |
|---|---|---|
| 1 | Italmobiliare | 60.363% |
| 2 | Free float | 34.671% |
| 3 | FIRST EAGLE FUNDS Group (First Eagle Investment Management, LLC) - USA | 2.824% |
| 4 | Treasury shares | 2.142% |




### C) Ordinary shares

Breakdown of free float based on information in the shareholders' register for payment of the FY 2011 dividend; Shareholders listed in the register: 18,850

| | | |
|---|---|---|
| 1 | Private Individuals | 41.16% |
| 2 | Foreign Funds | 24.61% |
| 3 | Brokers and Omnibus Accounts | 11.96% |
| 4 | Foreign Banks | 6.13% |
| 5 | Italian Companies | 5.41% |
| 6 | Italian Banks | 5.33% |
| 7 | Foreign Companies | 3.27% |
| 8 | Trustee | 1.12% |
| 9 | Italian Funds | 1.01% |




| Ticker symbol | Italcementi ordinary shares | Italcementi bearer savings shares | Italcementi registered savings shares |
|---|---|---|---|
| BLOOMBERG: | IT IM | ITR IM | - |
| REUTERS: | ITAI.MI | ITAIn.MI | - |
| ISIN: | IT0001465159 | IT0001465167 | IT0001465175 |

## Financial indicators

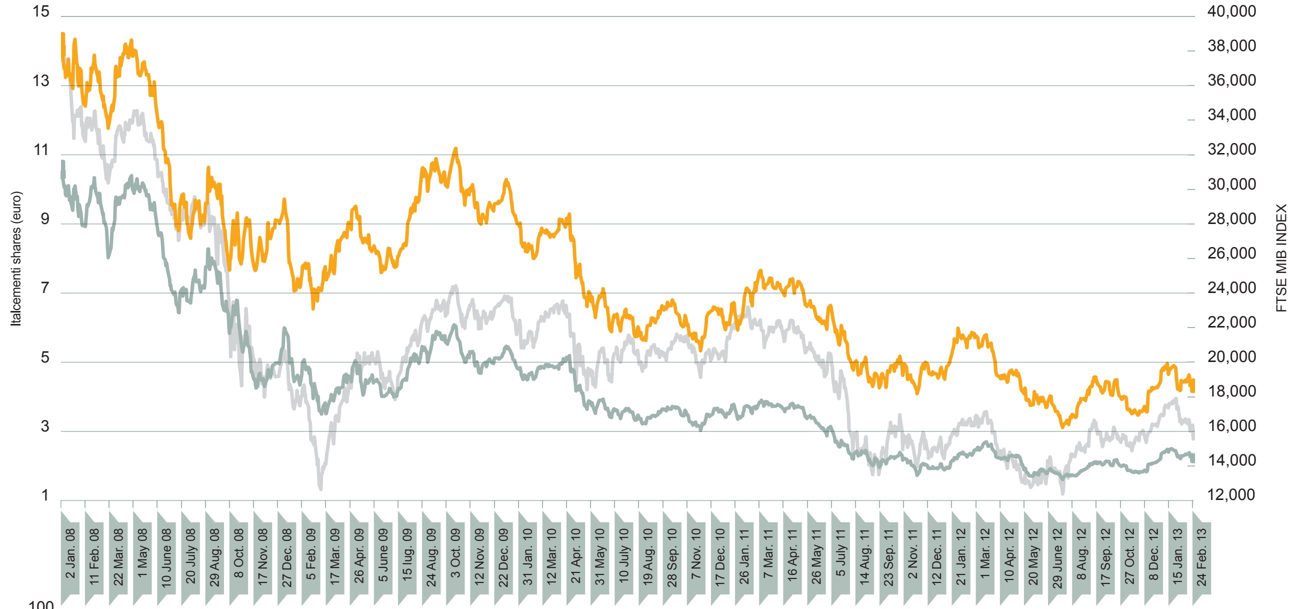
| **Italcementi S.p.A.** (euro) | **2012** | **2011** | **2010** | **2009** | **2008** |
|---|---|---|---|---|---|
| **Market prices** (annual average official prices): | | | | | |
| - Ordinary share | 4.368 | 5.855000 | 7.200000 | 8.893000 | 11.020000 |
| - Savings share | 2.042 | 2.899000 | 4.007000 | 4.793000 | 7.889000 |
| **Per share dividend:** | | | | | |
| - Ordinary share | 0.060 (1) | 0.120000 | 0.120000 | 0.120000 | 0.180000 |
| - Savings share | 0.060 (1) | 0.186478 | 0.120000 | 0.120000 | 0.210000 |
| **Dividend yield** (on annual average official prices): | | | | | |
| - Ordinary share | 1.37% | 2.05% | 1.67% | 1.35% | 1.63% |
| - Savings share | 2.94% | 6.43% | 2.99% | 2.50% | 2.66% |

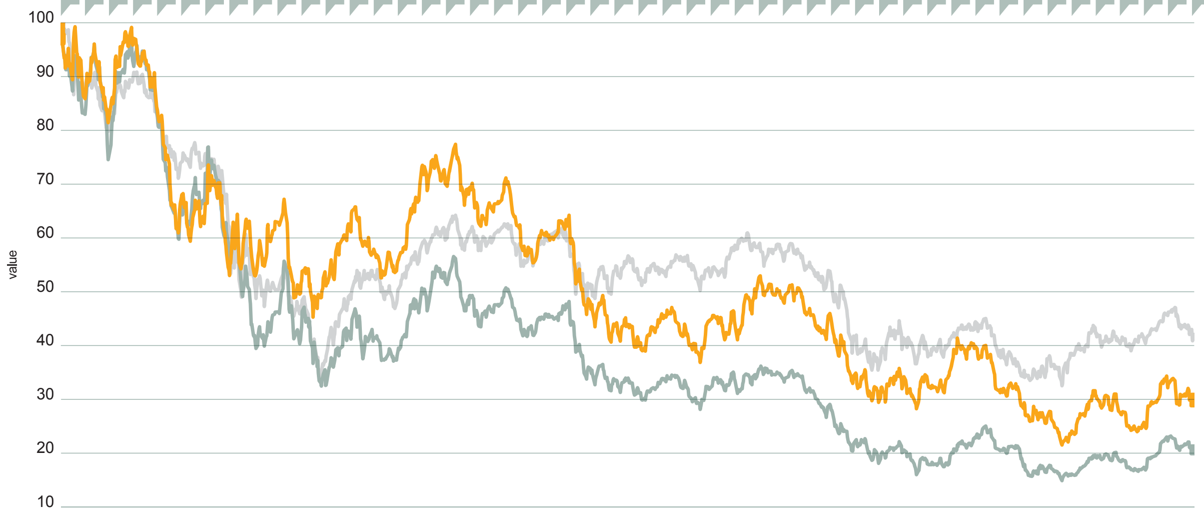
(1) proposal of Board of Directors of March 5, 2013

Italcementi
Italcementi Group

## Share prices and market capitalization

**A) Italcementi share prices and "FTSE MIB INDEX" (01.02.2008 - 02.28.2013)**



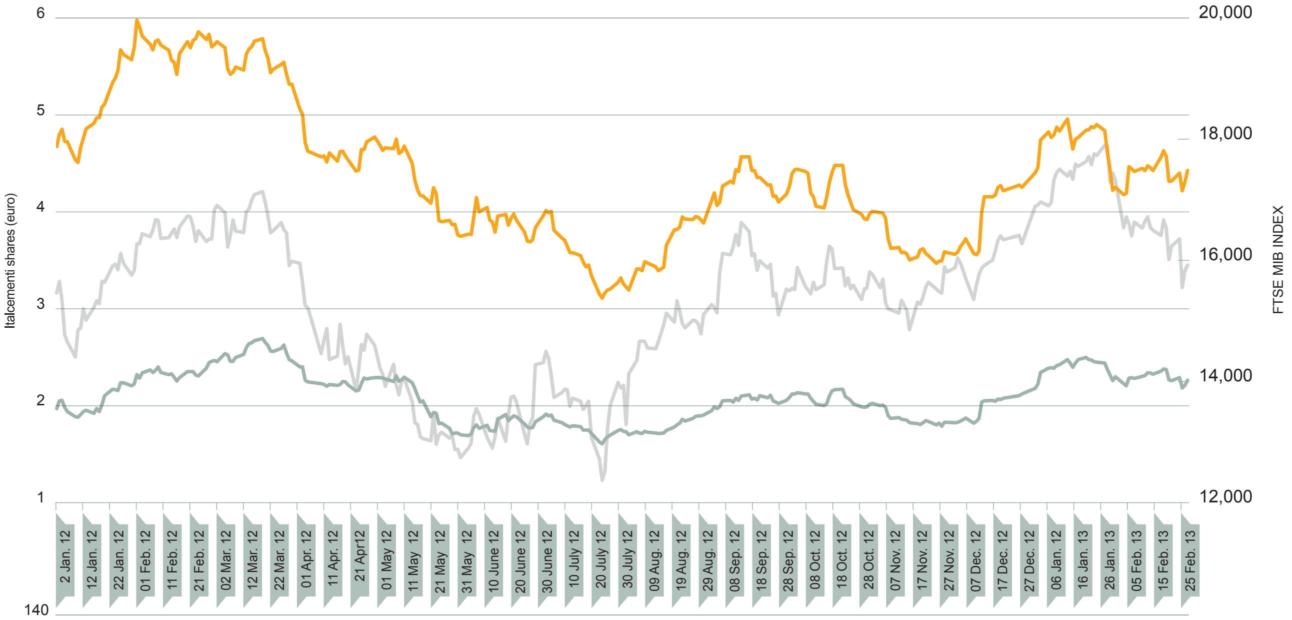

**B) Italcementi shares and "FTSE MIB INDEX" performance (base 01.02.2008 = 100)**

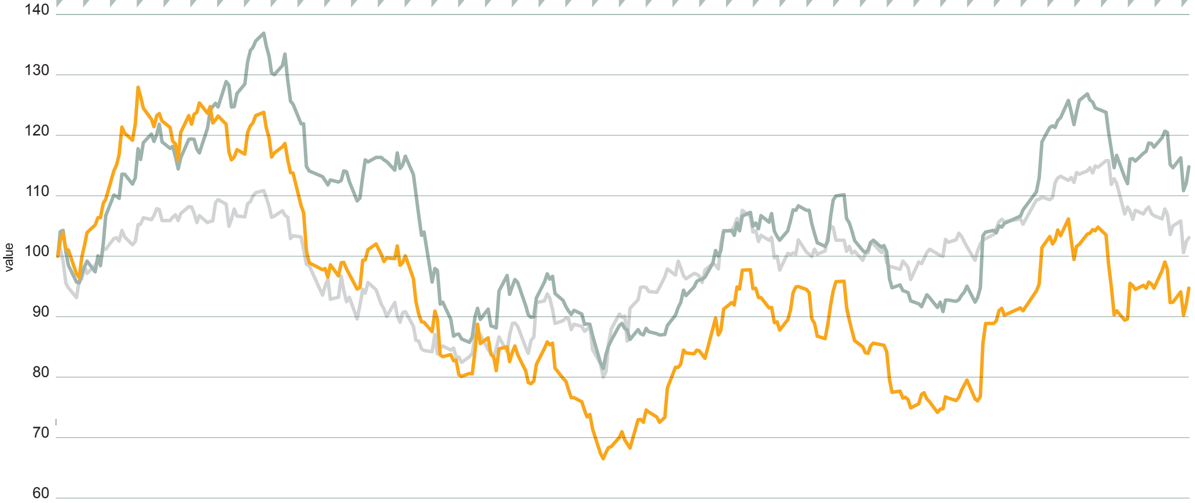
Italcementi ordinary shares

Italcementi savings shares

"FTSE MIB INDEX"

**C) Italcementi share prices and "FTSE MIB INDEX” (01.02.2012 - 02.28.2013)**



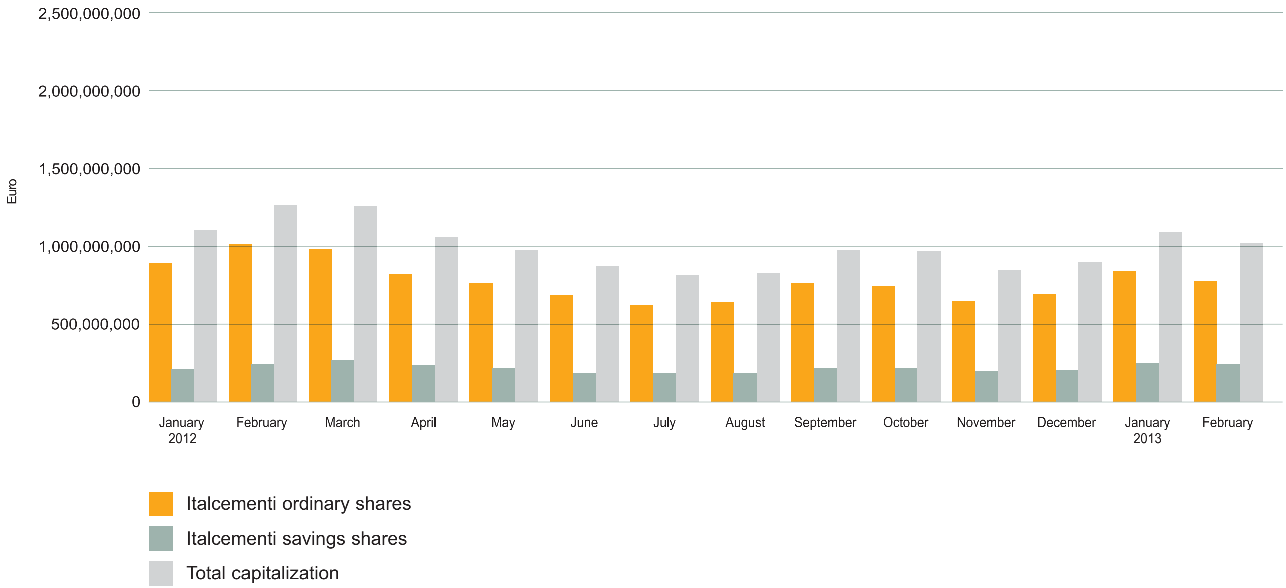

**D) Italcementi share and "FTSE MIB INDEX" performance (base 01.02.2012 = 100)**

Italcementi ordinary shares
Italcementi savings shares
“FTSE MIB INDEX”

**E) Share prices and market capitalization from 01.02.2012 to 02.28.2013**

| | **Share price** (euro) | | | | **Capitalization** (millions of euro) | | | |
|---|---|---|---|---|---|---|---|---|
| | **01.02.12** | **high** | **low** | **02.28.13** | **01.02.12** | **high** | **low** | **02.28.13** |
| Ordinary shares | 4.673 | 5.977 | 3.108 | 4.427 | 828 | 1,059 | 550 | 784 |
| Savings shares | 1.967 | 2.692 | 1.602 | 2.258 | 207 | 284 | 169 | 238 |
| **Total** | | | | | **1,035** | **1,342** | **719** | **1,022** |
| "FTSE MIB INDEX" | 15,455 | 17,897 | 12,363 | 15,921 | | | | |

**F) Average monthly capitalization** (January 2012 - February 2013)

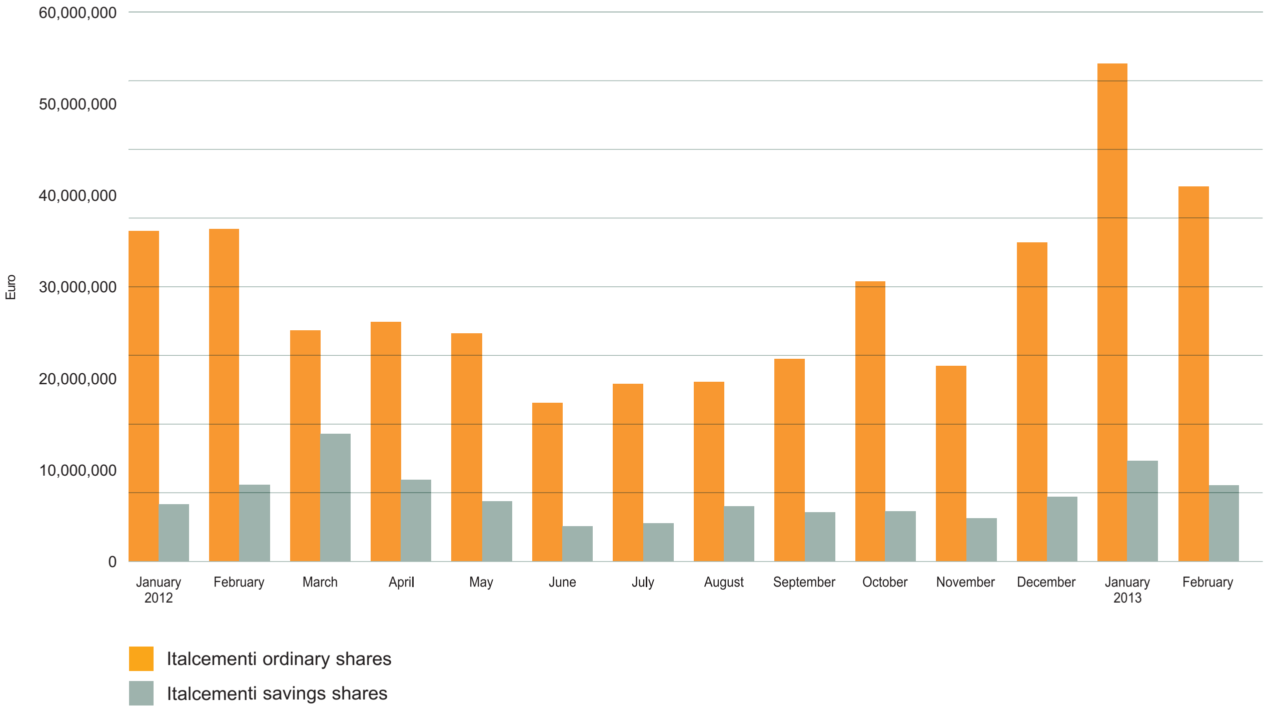


## Trading volumes on the Italian Stock Exchange

### A) Number of traded shares and weighted monthly average price

| Month | Ordinary shares (euro) | | | Savings shares (euro) | | |
|---|---|---|---|---|---|---|
| | Number of traded shares | Weighted monthly average price | Trade value | Number of traded shares | Weighted monthly average price | Trade value |
| January 2012 | 7,149,060 | 5.044 | 36,060,103 | 3,055,426 | 2.046 | 6,250,655 |
| February | 6,311,299 | 5.750 | 36,292,363 | 3,576,974 | 2.354 | 8,420,158 |
| March | 4,554,772 | 5.530 | 25,188,259 | 5,474,435 | 2.546 | 13,937,737 |
| April | 5,613,989 | 4.661 | 26,166,076 | 3,989,946 | 2.241 | 8,940,240 |
| May | 5,892,567 | 4.225 | 24,898,122 | 3,302,608 | 2.000 | 6,606,862 |
| June | 4,444,136 | 3.893 | 17,298,947 | 2,130,313 | 1.811 | 3,858,001 |
| July | 5,563,047 | 3.484 | 19,382,088 | 2,416,393 | 1.740 | 4,205,650 |
| August | 5,412,342 | 3.620 | 19,590,410 | 3,412,413 | 1.769 | 6,035,178 |
| September | 5,167,270 | 4.281 | 22,121,518 | 2,643,765 | 2.045 | 5,407,000 |
| October | 7,254,063 | 4.211 | 30,546,680 | 2,657,851 | 2.068 | 5,496,395 |
| November | 5,871,752 | 3.640 | 21,371,281 | 2,534,641 | 1.868 | 4,733,658 |
| December | 8,724,369 | 3.994 | 34,845,535 | 3,526,146 | 2.004 | 7,067,629 |
| January 2013 | 11,565,972 | 4.702 | 54,382,521 | 4,632,797 | 2.375 | 11,001,976 |
| February | 9,341,694 | 4.387 | 40,978,200 | 3,650,712 | 2.277 | 8,311,378 |

### B) Monthly turnover (January 2012 - February 2013)



# Italcementi S.p.A. Directors, Officers and Auditors

## Board of Directors

(Term ends on approval of financial statements at 12.31.2012)

| | | |
|---|---|---|
| Giampiero Pesenti | 1 | Chairman |
| Pierfranco Barabani | 1 | Executive Deputy Chairman |
| Lorenzo Renato Guerini | 7 | Deputy Chairman |
| Carlo Pesenti | 1-2 | Chief Executive Officer-CEO |
| Giulio Antonello | 7 | |
| Alberto Bombassei | 4-7 | |
| Giorgio Bonomi | | |
| Alberto Clô | 3-5-6-7 | |
| Federico Falck | 1-5-6-7 | |
| Danilo Gambirasi | | |
| Carlo Garavaglia | 7 | |
| Italo Lucchini | 4 | |
| Sebastiano Mazzoleni | | |
| Yves René Nanot | 1 | |
| Marco Piccinini | | |
| Ettore Rossi | 7-8 | |
| Attilio Rota | 1-5-6-7 | |
| Carlo Secchi | 5-6-7 | |
| Elena Zambon | 7 | |
| Emilio Zanetti | 4-7 | |
| Paolo Santinoli | 9 | Secretary to the Board |

## Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2014)

### Acting Auditors

| | |
|---|---|
| Maria Martellini | Chairman |
| Luciana Gattinoni | |
| Mario Comana | |

### Substitute Auditors

Carlo Luigi Rossi
Luciana Ravicini
Fabio Bombardieri

## Chief Operating Officer

Giovanni Ferrario

## Manager in charge of the financial reports

Carlo Bianchini

## Independent Auditors

(Term ends on approval of financial statements at 12.31.2019)

KPMG S.p.A.

1 Member of the Executive Committee
2 Executive Director responsible for supervising the internal control & risk management system
3 Lead independent director
4 Member of the Remuneration Committee
5 Member of the Control & Risks Committee
6 Member of the Committee for Transactions with Related Parties
7 Independent director (pursuant to the voluntary code of conduct and law no. 58 of February 24, 1998)
8 Member of the Compliance Committee
9 Secretary to the Executive Committee

# Professional profiles of the members of the Board of Directors and the Board of Statutory Auditors

## Board of Directors

### Giampiero Pesenti

(*Director since November 21, 1967*)

Born in Milan, May 5,1931

Degree in mechanical engineering – Milan Polytechnic.

1958, began working in the Technical Division of Italcementi S.p.A., the family firm established in 1864.

1983, appointed Chief Operating Officer; 1984, Chief Executive Officer; since 2004 Chairman of Italcementi S.p.A..

1984, appointed Chairman-Chief Executive Officer of Italmobiliare S.p.A., the holding company that controls Italcementi S.p.A., the Sirap Gema group and other finance and banking companies.

Director of Mittel S.p.A., Compagnie Monegasque de Banque, Finter Bank Zurich and other companies in the Italmobiliare Group.

### Pierfranco Barabani

(*Director since June 19, 1989*)

Born in Milan, September 9, 1936

Degree in civil engineering – Milan Polytechnic.

Worked as an independent professional until 1970, when he joined Italcementi S.p.A., holding a variety of posts: Assistant to the Chief Operating Officer, Property Manager, Corporate General Affairs Manager.

1993, appointed Chief Operating Officer and held the post until September 1999.

**Lorenzo Renato Guerini**

(*Director since April 19, 2011*)

Born in Bergamo, September 10, 1949

Degree in Business Economics – Bocconi University, Milan.

Master, KPMG International Partner Program, Wharton School, University of Pennsylvania, USA.

Registered on the Bergamo Roll of Certified Accountants; registered on the National Roll of Account Auditors; technical consultant to the Bergamo Law Court.

Began professional career in 1973 as an account auditor with Arthur Andersen.

1978, joined the Montedison Group in a managerial post, handling management control for the Group's international companies.

1980, joined the KPMG Network and became a partner in 1984, 1997, appointed Chairman of KPMG S.p.A. and Chairman of the KPMG Italian Network, posts he held for 13 years until reaching the maximum allowed term of office.

May 2011 joined the Italcementi S.p.A. Board of Directors and was appointed Deputy Chairman in September 2011. April 2012 Chairman of UBI Leasing S.p.A.

May 2012 Chairman of 035 Investimenti S.p.A.

**Carlo Pesenti**

(*Director since June 29, 1993*)

Born in Milan, March 30, 1963

Degree in mechanical engineering – Milan Polytechnic.

Master in economics & management – Bocconi University, Milan.

After joining the Italcementi Group, gained significant experience in a variety of Group production units and especially in the Corporate Finance, Administration & Control Division.

Having held the post of Joint Chief Operating Officer, in May 2004 he was appointed Italcementi Chief Executive Officer.

Chief Operating Officer of Italmobiliare.

## Giulio Antonello

(*Director since July 29, 2011*)

Born in Bari, April 12, 1968

Degree in Finance from Wharton School, University of Pennsylvania, and MIA from Columbia University.

Worked as an investment banker for the Crédit Agricole group in New York.

On return to Europe, held a number of posts in the Ciment Portland SA cement group (now part of Holcim AG) in Switzerland.

Was a member of the Board of Directors of companies including Concrete Milano S.p.A., Dolomite Colombo S.p.A. and Industriale Calce S.p.A.

2006, CEO of Alerion Clean Power S.p.A., a company listed on the Milan stock exchange, which produces energy from renewable sources.

1996-2011, also a member of the Board of Directors of Campisi SIM, Telelombardia S.p.A., Antenna 3 S.p.A., Enertad S.p.A. (today ERG Renew), SIAS S.p.A., Industria e Innovazione S.p.A. and Reno de Medici S.p.A.

## Alberto Bombassei

(*Director since May 4, 2004*)

Born in Vicenza, October 5, 1940

Chairman and Chief Executive Officer of Brembo S.p.A., a worldwide market leader in braking systems and acknowledged innovator in disk brake technology.

2003, awarded an honorary degree in mechanical engineering by the University of Bergamo

2004, named a Cavaliere del Lavoro in Italy's honors system.

From June 2001 to May 2004, President of Federmeccanica.

Since May 2004 Vice President of Confindustria for Industrial Relations and Social Affairs.

Director of Atlantia S.p.A., Pirelli & C. S.p.A., Nuovo Trasporto Viaggiatori S.p.A. and Fiat Industrial S.p.A.

## Giorgio Bonomi

(*Director since April 16, 2010*)

Born in Bergamo, November 2, 1955

Degree in law – Milan State University.

Practises law in Bergamo. Account auditor.

As a specialist in distribution contracts, he has been involved in the creation of some of Italy's most important purchasing consortia. Assists some of the leading Italian groups on advertising and mass merchandising, with a particular focus on growth and corporate disputes (M&A).

**<u>Alberto Clô</u>**

(*Director since May 4, 2004*)

Born in Bologna January 26, 1947. Degree in political science – Bologna University.

Full professor “Applied Economics” at Bologna University, holding courses on “Industrial Economics” and “Public Services Economics”.

Author of books, papers and articles on industrial and energy economic issues, founder and editor-in-chief of “Energia” magazine.

Minister of Industry and Foreign Trade and President of the EU Council of Ministers of Industry and Energy during Italy’s six-month presidency under the Dini government (1995-1996), for which he was named a Cavaliere di Gran Croce in Italy’s honors system.

**<u>Federico Falck</u>**

(*Director since February 3, 2004*)

Born in Milan, August 12, 1949 – Married with two children

Degree in mechanical engineering – Milan Polytechnic.

Began his career in 1977 at the Acciaierie e Ferriere Lombarde Falck S.p.A. (now “Falck S.p.A.”); after internships in a number of US steel companies, he worked mainly in production and procurements for steel operations; Procurements Manager and Chief Operating Officer for many years.

Currently Chairman of the Board of Directors of Falck S.p.A. and Falck Renewables S.p.A., a Falck Group company listed on the Milan Stock Exchange (STAR segment); Director of Banca Popolare di Sondrio; Regional Councilor and Milan Section Councilor of Unione Cristiana Imprenditori Dirigenti, member of the management committee of Assolombarda, Director Fondazione Sodalitas (association for development of social enterprise), Director of Fondazione Centesimus Annus.

He was Chairman of ADR, Aeroporti di Roma – Director of Camfin, Credito Italiano, Banco Lariano, Cassa di Risparmio di Parma e Piacenza S.p.A., Viscontea Assicurazioni, Emittente Titoli and Chairman of Sodalitas.

**<u>Danilo Gambirasi</u>**

(*Director since September 28, 1973*)

Born in Bergamo, January 22, 1932

Science high-school degree.

Italcementi S.p.A., first as Deputy Corporate Procurements Manager, later as International Relations & Fuel Procurement Manager until his retirement in 1997.

**Carlo Garavaglia**

(*Director since May 5, 2011*)

Born in Legnano (Milan), May 15, 1943

Degree in economics & commerce – Catholic University of Milan.

Since 1972 member of Milan Roll of Public Accountants.

Since 1979 an official account auditor, now a statutory auditor.

From 1970 to 1976 a senior manager and partner of KPMG Peat Marwick in Milan.

Founding partner of the L. Biscozzi – A. Fantozzi tax law firm, since 1998 founding partner of the Biscozzi Nobili legal and tax firm.

Director of a number of listed and unlisted companies, honorary consul of Luxembourg for Lombardy.

**Italo Lucchini**

(*Director since February 4, 1999*)

Born in Bergamo, December 28, 1943

Degree in economics & commerce – Bocconi University, Milan.

Assistant lecturer at Bocconi University, non-tenured lecturer at Bergamo University, public accountant with a successful practice in Bergamo.

Supervisory Director at Unione di Banche Italiane S.c.p.a. and Chairman of the Board of Statutory Auditors of BMW Italia S.p.A., Fedrigoni S.p.A. and San Colombano S.p.A.

**Sebastiano Mazzoleni**

(*Director since May 4, 2004*)

Born in Milan, May 11, 1968

Degree in geology – Milan State University.

Master in Business Administration, Bocconi University, Milan.

Began his professional career in 1996 with CTG S.p.A., as a research geologist with responsibility for assessing raw material reserves for cement production, coordinating work groups in Italy, France, Spain and Thailand.

2000, moved to Italcementi S.p.A. as Project Manager in the Marketing Division, with joint responsibility for drawing up new product marketing plans and benchmark analyses for the development of competitive positioning models.

2003, involved in the creation of the new Group New Product Marketing Division, where he was responsible for innovation management in the USA, Greece, Bulgaria, Turkey, Egypt, Thailand, Kazakhstan and India. He was also Group manager of the new project for enhancement of recoverable resources.

Since 2010 active in non-profit and consultancy on innovation.

**Yves René Nanot**

(*Director since June 29, 1993*)

Born in Asnières (France), March 27, 1937

Degree in engineering – Paris.

Master and Ph.D. in Business Administration from the University of California, Los Angeles.

Held a variety of posts at Dupont de Nemours and then in the Total Group; 1993, joined Ciments Français where he is currently Chairman.

**Marco Piccinini**

(*Director since June 15, 1992*)

Born in Rome, July 2, 1952

Attended science high school and the faculty of architecture. Subsequently studied "International Negotiating Techniques" at the Institut des Hautes Etudes Internationales in Geneva.

Director of a number of listed and unlisted companies active in automobiles and finance.

Citizen of Monaco, was Monaco's Ambassador in China and government advisor on finance and the economy in the Principality of Monaco.

**Ettore Rossi**

(*Director since June 11, 1998*)

Born in Vicosoprano (Switzerland), August 4, 1934

Degree in economics & commerce – Catholic University, Milan.

Worked in the Italcementi company from September 1953 to December 31, 1999, in the Corporate Administration Division.

A senior administration manager from 1967, he held the posts of Secretary to the Corporate Administration Division (1977/1985), Joint Corporate Administration Manager (1985/1986), Corporate Finance Administration & Control Manager (1986/1995), Deputy General Administration Manager (1995/1999).

He has sat on the boards of directors and boards of statutory auditors of a number of Group companies.

**Attilio Rota**

(*Director since June 19, 1997*)

Born in Bergamo, December 5, 1935

Degree in law – Pavia University.

Has sat on the boards of directors and boards of statutory auditors of companies in the publishing, cement, and agriculture sectors as well as on the boards of public and private bodies.

Practicing barrister in Bergamo registered on the roll of external auditors.

Director-Controller of the Bergamo branch of Bank of Italy.

**Carlo Secchi**

(*Director since April 18, 2007*)

Born in Mandello del Lario (Lecco), February 4, 1944

Degree in economics & commerce – Bocconi University, Milan.

Diploma in economic planning (Institute of Social Studies, The Hague, 1969-1970).

Further studies at Netherlands Economic Institute and the Center for Development Planning, Erasmus University (Rotterdam, 1970-1972).

Emeritus professor in European Economic Policy since 1 November 2012, formerly full professor since 1 November 1983 and director of the Institute for Latin American Studies and Countries in Transition (ISLA) at the Bocconi University, Milan.

Conducts research work as a member of numerous scientific committees or boards of entities active in science and culture.

Director of various listed and unlisted companies.

**Elena Zambon**

(*Director since April 16, 2010*)

Born in Vicenza, October 15, 1964

Degree in Business Economics – Bocconi University, Milan.

From 1989 to 1994 worked at Citibank N.A. where she was in charge of international investors on the Italian market and, subsequently, of reports and risk assessments for institutional clients (especially insurance, financial and world corporation groups).

Currently Chairman of Zambon S.p.A., a pharmaceuticals multinational established in Vicenza in 1906, Deputy Chairman of ZaCh System – Zambon Advanced Fine Chemicals S.p.A. and Director of Zambon Company S.p.A., the group holding.

Also Chairman of Secofind SIM S.p.A., the Multi-Family Office formed in 2000 to extend to other entrepreneurial families the expertise accumulated in wealth management for the Zambon family since 1994 in selection and control of asset managers.

August 2011, member of Board of Directors of Fondo Strategico Italiano.

**Emilio Zanetti**

(*Director since March 20, 2000*)

Born in Bergamo, October 26, 1931

2002, honorary degree in economics & commerce from Bergamo University.

1986, named a Cavaliere del Lavoro in Italy’s honors system.

Since July 1985 Chairman of Banca Popolare di Bergamo S.p.A. (formerly Banca Popolare di Bergamo - Credito Varesino s.c.r.l.).

Since 1993 director and Executive Committee member of Associazione Bancaria Italiana and formerly Vice President from 1998 to 2000.

Since April 2007 Chairman of the Management Committee of UBI BANCA (Unione di Banche Italiane).

Since October 1983 director of S.A.C.B.O. S.p.A. and Deputy Chairman since May 2008.

Since 2012 Chairman of the National Association of Banche Popolari.

## Board of Statutory Auditors

**Maria Martellini**

Born in Rome, July 8, 1940

Degree in economics & commerce – Bocconi University, Milan.

Specialization in economics of industry, London School of Economics.

Full professor of economics & corporate management.

Certified accountant and account auditor.

Director of a number of listed and unlisted companies.

**Luciana Gattinoni**

Born in Bergamo, November 29, 1950

Degree in economics & commerce – Bocconi University, Milan.

Has worked as a certified accountant since 1976, primarily on corporate and tax questions, and as a court consultant on insolvency procedures.

Auditor of non-profit bodies active in the arts and science.

**Mario Comana**

Born in Bergamo, January 22, 1957

Degree in economics & commerce – Bergamo University.

Specialization at Harvard University, Cambridge.

Since 2000, full professor of financial intermediary economics at LUISS Guido Carli, Rome.

Certified accountant and author of numerous banking publications; works as a consultant to financial intermediaries and as an independent and court-appointed consultant on financial questions and assessments.

**Carlo Luigi Rossi**

Born in Alzano Lombardo (Bergamo), October 11, 1947

Degree in economics & commerce – Catholic University of Milan.

June 1975, established the eponymous consultancy studio providing accounting, administrative, corporate and fiscal services.

Holds a number of positions in the area of insolvency procedures.

In the area of civil judicial proceedings, he works as a court-appointed technical consultant; for penal proceedings he works as a consultant to the state prosecutor.

## Luciana Ravicini

Born in Milan, January 10, 1959

Degree in economics & commerce – University of Brescia.

Registered on the roll of certified accountants of Brescia.

Registered on the roll of auditors Gazzetta Ufficiale 31/bis 21.04.1995 D.M. 12.04.1995.

Wide experience as a standing auditor of financial and fiduciary companies, acquiring detailed knowledge of juridical and fiscal tools in the financial field to resolve questions arising in the general area of the “family office”.

Practicing accountant, and holds and has held positions as chairman of the Board of Statutory Auditors, standing auditor and external auditor in industrial and financial companies.

## Fabio Bombardieri

Born in Alzano Lombardo (Bergamo), August 14, 1959

Registered on the roll of certified accountants and on the register of account auditors.

Holds a number of positions in the area of voluntary jurisdiction and insolvency procedures.

Provides professional services mainly for medium-size companies.

Director/auditor of companies in the credit and publishing fields and of a number of foundations and non-commercial entities.

## Notice of Call

Those who are entitled to the voting rights at Italcementi General Meeting are hereby called to attend the Annual General Meeting on single call on April 17th, 2013 at 10 a.m., in Bergamo, Via Madonna della Neve no. 8, to resolve upon the following

### Agenda

**Ordinary Items**

1) Board of Directors and Board of Statutory Auditors Reports on 2012 fiscal year: examination of financial statements as at December 31st, 2012 and ensuing resolutions;
2) Remuneration Report;
3) Authorization to purchase and dispose of treasury shares;
4) Appointment of the Board of Directors, upon determination of the term of office and the number of its members.

**Extraordinary Items**

Proposal to renew the directors' powers, under articles 2443 and 2420-ter of the Italian Civil code, to increase the share capital and to issue convertible bonds or cum warrant, once or in more times, for a maximum amount of nominal Euro 500 million.

* * *

**Entitlement to take the floor and to vote at the Meeting**

Those who prove to be entitled to the voting rights at the end of the seventh open market day before the meeting date on single call (*Monday, April 8th, 2013* – Record Date), have the right to take the floor.

Those who will result to be holders of ordinary shares of the Company after such a date will not be entitled to take the floor and vote at the Meeting.

Credit and debit entries registered in the Intermediary accounts' after the above mentioned deadline do not affect the entitlement of the voting right's exercise at the Meeting.

Entitlement to take the floor at the Meeting and to exercise the voting right is proved by a notice served by the authorized Intermediary to the Company, according to its accounting records, in favour of the person/entity who is entitled to the voting right. The captioned notice must reach the Company before the end of the third open market day (i.e. by *April 12th, 2013*) prior to the scheduled Meeting date. No prejudice to the right to take the floor and vote at the Meeting will be suffered should the Company receive the notice after the above mentioned deadline, provided that it is received before the beginning of the Meeting.

Shareholders who own ordinary shares that have not been yet dematerialized must previously deliver them to an Intermediary, in time to be centralized in a dematerialization system and ask for the above mentioned notice.

No voting procedures by correspondence or by means of electronic devices are provided for.The regularity of the Meeting and the validity of its resolutions on the items on the agenda are governed by law.

## Vote by proxy

Those who are entitled to take the floor at the Meeting can be represented by means of written proxy under current law provisions, and can use the form available at our registered offices (***Via G. Camozzi 124, 24121 Bergamo***) and on the Company website: *www.italcementigroup.com*, under section Investor Relations/General Meetings. The proxy can be notified to the Company by means of registered letter sent to the headquarters (Finance Department – Shareholders' Office, at the above mentioned address) or by sending it to the address of certified e-mail *soci@italcementi.legalmail.it*. The proxy-holder can also deliver or send to the Company a copy of the proxy in place of the original, also on an IT support, stating, under his/her own responsibility, that the proxy is a copy of the original, and the identity of the delegating person.

* * *

## Supplements to the agenda

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, can request in writing, within 10 days as of the publication of this notice of call (i.e. by *March 18th, 2013*), for supplements to the Meeting agenda, stating in their application which further issues are being suggested. Requests must be sent by means of registered letter to the headquarters (Corporate Affairs Department – to the above mentioned address) or by sending notice to the address of certified e-email *affarisocietari@italcementi.legalmail.it*, along with proper documentation issued by an authorized Intermediary providing evidence of the ownership of the above mentioned percentage of the share capital, as well as the legitimacy to supplement the items on the agenda. A report on the items whose examination is proposed must be delivered to the Board of Directors by the same deadline and following the same procedure.

The supplement to the items on the agenda will be disclosed to the public, following the same procedure provided for the publication of this notice of call, at least 15 days before the Meeting date (i.e. *by April 2nd 2013*); at the same time, the report drafted by shareholders who made the request will be publicly available, along with relevant remarks, if any, made by the Board of Directors.

A supplement to the agenda is not accepted for those items the Meeting, under the applicable law, resolve upon proposal of the directors or based on Board's project or report.

## Right to raise questions on the items on the agenda

Those who are entitled to the voting rights can also submit questions on the items on the agenda before the Meeting. In order to facilitate the appropriate development and preparation of the Meeting, the questions must be received by the Company by *April 15th, 2013* within working hours by means of a registered letter sent to the headquarters (*Corporate Affairs Department* – at the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari@italcementi.legalmail.it* along with proper documentation issued by an authorized Intermediary providing evidence of the entitlement to the voting right. Questions submitted before the Meeting will be answered during the Meeting at the latest. The Company can provide with a sole answer to questions having the same content.

* * *

**Appointment of the Board of Directors**

The appointment of the Board of Directors shall occur on the basis of lists.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold, as at the filing date, an overall percentage of the share capital with voting rights no lower than 2.5%.

No shareholder may present or participate in the presentation of more than one list, neither through third parties or trust company.

Shareholders belonging to the same group and shareholders who join a shareholders' agree-ment on the Company shares may not present or vote for more than one list, neither through third party or trust companies.

Any lists filed in violation of these restrictions are not accepted.

In each list the names of candidates must be listed in sequential order.

Being the first application of the regulation on gender balance among corporate bodies of listed companies, lists including a number of candidates equal to or greater than three must be composed of candidates representing both genders, so that one or the other gender represents at least one fifth (rounded upwards) of the candidates.

Each candidate may be presented on one list only under penalty of ineligibility.

Lists must be filed by means of a registered letter sent to the headquarters (*Corporate Affairs Department* – at the above mentioned address) or by sending notice to the address of certified e-mail: *affarisocietari@italcementi.legalmail.it* at least 25 days before the Meeting date (*i.e. by and not later than March 23rd, 2013*) along with the following documentation:

a) statements by which individual candidates accept their candidature and, under their own responsibility, state the non-existence of ineligibility causes and possession of the integrity requirements established by law;
b) a brief resume concerning personal and professional skills of each candidate, with indica-tion of their position as director and statutory auditor in other companies;
c) statements of each candidate about the possession of the independence requisites re-quired by the law and the Code of Conduct;
d) information on the identity of shareholders who have submitted the lists;
e) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The documentation issued by the authorized Intermediary and providing evidence of the enti-tlement to the voting right as at the filing date of the lists can be produced also afterwards, but in any case at least 21 days prior to the scheduled Annual General Meeting (*i.e. by and not lat-er than March 27th, 2013)*.

Lists filed in breach of the above provisions are considered as not filed.

* * *

## Disclosure information

Documentation related to the items on the agenda, draft of Resolutions proposals as well as the Board reports and the other information required by applicable laws and regulations will be made publicly available, within the deadlines set forth by the law, at the registered offices, Borsa Italiana S.p.A. and on the Company website *www.italcementigroup.com*, under section *Investor Relations/General Meetings*.

In particular:

* 1st item on the agenda – ordinary items: 21 free days prior to the Meeting;
* 2nd and 3rd item on the agenda – ordinary items: 21 days prior to the Meeting;
* 4th item on the agenda – ordinary items: 40 days prior to the Meeting;
* sole item on the agenda – extraordinary items: 21 days prior to the Meeting.

Gli azionisti hanno diritto di prendere visione di tutti gli atti depositati presso la sede legale e di ottenerne copia.

* * *

## Information concerning the share capital and shares with voting rights

The company share capital is equal to Euro 282,548,942 divided into 177,117,564 ordinary shares and 105,431,378 savings shares with a nominal value of Euro 1 each.

Only ordinary shares are vested with voting rights at ordinary/extraordinary General Meetings.

As at the date of publication of this notice of call, the number of ordinary shares representing share capital with voting rights, therefore net of 3,793,029 ordinary treasury shares held by the company, is equal to 173,324,535.

On behalf of the Board of Directors
The Chairman
Giampiero Pesenti

(Notice published on the Company’s website on March 7th 2013 and, by extract, on “Il Sole - 24 Ore”, “Corriere della Sera”, “Milano Finanza” and “L’Eco di Bergamo” on March 8th 2013)

# Annual Report

## Consolidated Annual Report

# Directors' report

Following the adoption by the European Union of Regulation no. 1606 of 2002, the Italcementi S.p.A. consolidated financial statements for 2012, and the comparatives for 2011, have been drawn up in compliance with the International Financial Reporting Standards (IFRS).

In accordance with the aforementioned Regulation, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2012, but not endorsed by the European Union at that date. Furthermore, the European Union has endorsed additional standards/interpretations that Italcementi S.p.A. will apply at a subsequent time, having decided not to elect early application.

The main changes with respect to the financial statements at December 31, 2011, are set out in detail in the notes, in the section "Statement of compliance with the IFRS".

In the first half of 2012 the Group sold the remaining 51% of the capital held in Afyon Cimento (Turkey) and the entire equity investment in Fuping Cement (China) to West China Cement; simultaneously the Group acquired a share of approximately 6.25% in West China Cement. The sold operations have been treated in compliance with **IFRS 5,** with the presentation of the profit or loss as a separate income statement line item ("Profit relating to discontinued operations") both for the year under examination and for 2011, whose interim results therefore differ to the data published last year. A similar presentation has been adopted for cash flows.

In addition to the above, the main **changes in the scope of consolidation** related to Axim-branded cement and concrete additives operations, which were sold at the end of 2011, and to Silos Granari della Sicilia S.r.l., sold in January 2012.

## Earnings indicators

To assist comprehension of its financial data, the Group employs a number of widely used indicators, which are not contemplated by the IFRS.

Specifically, the income statement presents the following intermediate results / indicators: recurring EBITDA, EBITDA, EBIT, computed as the sum of the preceding items. On the face of the statement of financial position, similar considerations apply to net debt, whose components are detailed in the specific section of the notes.

Since the indicators employed by the Group are not envisaged by the IFRS, their definitions may not coincide with and therefore not be comparable to those adopted by other companies/groups.

This report contains many financial and non-financial earnings indicators, including those mentioned above. The financial indicators, taken from the financial statements, are used in the tables summarizing the Group's financial performance, in relation to comparative amounts and other amounts from the same period (e.g., change in revenue, recurring EBITDA and EBIT with respect to the previous year, and change in their return on revenue). The use of amounts not directly apparent from the financial statements (e.g., the exchange-rate effect on revenue and on earnings) and the presentation of comments and assessments assist qualification of the trends in the amounts concerned.

The directors' report also provides a series of financial ratios (gearing, leverage, coverage) that are clearly of importance for a better understanding of Group performance, especially in comparison with previous periods. The non-financial indicators refer to external and internal elements: the general economic situation and the situation of the industry in which the Group operates, trends on the various markets and lines of business, trends in sales prices and key cost factors, acquisitions and disposals, other significant events in the year, organizational developments, the introduction of laws and regulations, etc.. In the notes, the section on net debt provides information about the effects of changes in interest rates and the main exchange rates on the statement of financial position and the income statement.

## Results and significant events for the year

### Results

In financial year 2012, the economic crisis continued to be the key factor, with a strong impact on demand for construction materials in the industrialized countries, offset in part by a positive trend in some emerging countries, especially in Asia. The effects of this difficult scenario were also amplified by the impairment losses applied to assets during the year.

**Sales volumes** were down, although on an annual basis the trend was better than in the first nine months, thanks to a significantly smaller reduction in overall volumes in the fourth quarter.

**Revenue**, at 4,480.1 million euro (4,657.4 million euro in 2011), were down 3.8% (-4.9% at constant size and exchange rates), largely due to the negative volume effect.

**Recurring EBITDA**, at 632.4 million euro (701.1 million euro), was down 9.8%.

After net non-recurring expense of 17.5 million euro (net non-recurring income of 40.8 million euro in 2011), amortization and depreciation of 456.4 million euro (468.7 million euro) and impairment losses on non-current assets of 309.4 million euro (134.3 million euro), **EBIT** was negative at 150.9 million euro (positive at 138.9 million euro in 2011).

This trend was reflected in a **loss before tax** of 224.2 million euro (profit of 65.5 million euro).

After **income tax expense** of 146.2 million euro (69.1 million euro), **loss relating to continuing operations** was 370.4 million euro (losses of 3.6 million euro in 2011). The Group posted a **loss for the year** of 362.4 million euro (profit of 91.2 million euro). The **loss attributable to owners of the parent** was 395.8 million euro (a loss of 3.1 million euro), while profit attributable to non-controlling interests decreased from 94.3 million euro in 2011 to 33.4 million euro.

**Net debt** at December 31, 2012 amounted to 1,998.3 million euro, a decrease of 94.8 million euro from December 31, 2011 (2,093.0 million euro).

**Total equity** was 4,239.8 million euro, down by 655.0 million euro from December 31, 2011, while **equity attributable to owners of the** parent was 2,966.7 million euro, down by 528.2 million euro from the end of 2011 (3,494.9 million euro).

## Significant events in the year

Significant events in the **first nine months of the year,** previously illustrated in the half-year report and the quarterly reports, are summarized briefly below.

Italcementi S.p.A. **sold to third parties Silos Granari della Sicilia S.r.l.** (January) and, under its production re-organization, the **Pontassieve cement plant** (June).

In March the **revamping** program began at the **Devnya Cement** cement plant, which is expected to begin operations in 2015, delivering significant efficiency gains and cutting environmental impact.

In April the **new Italcementi i.lab. Research & Innovation Center** was opened: situated in the Kilometro Rosso science park in Bergamo, the center houses engineers, technical specialists and researchers from CTG S.p.A. (Group Technical Center) and the Italcementi S.p.A. Innovation Division.

At the end of May, the **Standard and Poor's** ratings agency amended the Italcementi long-term rating from BBB- to BB+, and the short-term rating from A-3 to B; the outlook is stable. An identical review was adopted for the subsidiary Ciments Français.

On May 31 Ciments Français S.A. closed the sale to **Cimsa Cimento Sanayi ve Ticaret A.S.** of the outstanding 51% of the capital of **Afyon** Cimento Sanayii Turk A.S..

On June 26 the investment in **Fuping Cement**, including the 35% equity interest in **Shifeng Cement,** was transferred to **West China Cement** (WCC, a company listed in Hong Kong) through a reserved share capital increase at WCC with which the Italcementi Group became the third-largest shareholder of the company, with a stake of 6.25%.

Significant events in the **fourth quarter of 2012** are illustrated below.

In November, **Moody's Investor Services** reviewed the corporate rating assigned to Italcementi from Ba1 to Ba2 with negative outlook. It also downgraded the rating of the Italcementi Finance senior unsecured bond (maturing in 2020) to Ba2, while all the ratings relating to Ciments Français were unchanged at Ba1/negative.

In December, the Group announced **Project 2015**, to be implemented in the two years 2013-2014, for the re-organization and strengthening of Group operations in Italy. The aim is to rationalize industrial and distribution activities and intervene on corporate structures and on the sales network. After implementation in the cement segment, similar initiatives will be adopted for CTG S.p.A. and steps will be taken to align the Calcestruzzi system with the industrial and employment parameters set for Italcementi S.p.A..

## The international economy and industry trends

The signs of a downturn in the international economic cycle observed in the second half of 2011 intensified in 2012, translating into an open recession in the euro zone. With the significant exception of the USA, the slowdown was generalized, also extending to eastern Asia's most dynamic economies, China and India, which reported their slackest results for at least ten years. Summarizing these trends, world economic growth, estimated at just over 3%, returned in 2012 to below the long-term average, with the growth rate of the advanced economies at just over 1%.

The roots of the new deterioration in the international scenario lie in the crisis that hit some countries of the euro zone and the high turbulence on the financial markets, which eased only toward the end of the year. Trends on the currency markets too were heavily influenced by the climate of financial instability; specifically, the dollar exchange rate, which had gained almost 20% against the euro in the twelve months to August 2012, has since lost almost half of its previous gains.

Widespread unemployment and low utilization of production capacity contributed to lower inflation in the industrialized area; commodities prices showed a downward trend too, as demand from the emerging countries became flatter. Oil prices remained high, however, due to the continuing geo-political tensions in the Middle East and contingent supply problems in some producer countries, which had an impact on international energy costs.

In the European area, the construction cycle, already in a long-standing recessionary phase, was affected by the sudden worsening in the macroeconomic situation, and slowed at a faster rate. Although trends varied from one country to another, low creation of income, growing unemployment, squeeze on credit, tightening of state budgets and surplus construction in previous years were all factors contributing to the slackening in all segments of the building construction industry, at double-digit rates in some cases. Unlike 2011, the France-Belgium area also reported a contraction, in part as a result of a decrease in public-sector support for the industry.

Trends were decidedly more comforting in North America, especially in the USA, where the recovery in the residential sector finally consolidated, although the latest figures show levels of activity at little more than half the levels recorded in the previous expansionary peak. While there was an upturn in private investment, the downturn continued in infrastructure investment due to state and federal budget restrictions.

The picture in construction investments in the emerging countries where the Group operates was substantially favorable, although the differences between Asia and North Africa widened. In Asia, business activity was sustained by a dynamic macroeconomic context together with specific public incentive policies; in North Africa the uncertainty surrounding the political transition in Egypt has not been entirely dispelled, and in Morocco there was a sharp decline in activity, although this seems to be temporary.

# Financial performance in 2012

## Key consolidated figures

| (in millions of euro) | 2012 | 2011 IFRS 5 | % change vs. 2011 |
|---|---|---|---|
| **Revenue** | **4,480.1** | **4,657.4** | **(3.8)** |
| **Recurring EBITDA** | **632.4** | **701.1** | **(9.8)** |
| *% of revenue* | *14.1* | *15.1* | |
| Non-recurring income (expense) | (17.5) | 40.8 | n.s. |
| **EBITDA** | **614.9** | **741.9** | **(17.1)** |
| *% of revenue* | *13.7* | *15.9* | |
| Amortization and depreciation | (456.4) | (468.7) | (2.6) |
| Impairment | (309.4) | (134.3) | >100.0 |
| **EBIT** | **(150.9)** | **138.9** | **n.s.** |
| *% of revenue* | *(3.4)* | *3.0* | |
| Finance costs | (84.5) | (99.6) | (15.2) |
| Impairment on financial assets | - | 7.5 | |
| Share of profit (loss) of equity-accounted investees | 11.1 | 18.6 | (40.4) |
| **Profit (loss) before tax** | **(224.2)** | **65.5** | **n.s.** |
| *% of revenue* | *(5.0)* | *1.4* | |
| Income tax expense | (146.2) | (69.1) | >100.0 |
| **Profit (loss) relating to continuing operations** | **(370.4)** | **(3.6)** | (>100.0) |
| Profit (loss) relating to discontinued operations | 8.0 | 94.8 | |
| **Profit (loss) for the period** | **(362.4)** | **91.2** | **n.s.** |
| *% of revenue* | *(8.1)* | *2.0* | |
| attributable to: | | | |
| **Owners of the parent** | **(395.8)** | **(3.1)** | |
| Non-controlling interests | 33.4 | 94.3 | |
| **Cash flows from operating activities** | **496.2** | **430.2** | **15.3** |
| **Capital expenditure** | **370.3** | **398.3** | **(7.0)** |
| **Employees at period end (heads)** | **18,886** | **19,462** | **(3.0)** |

n.s. not significant

## Quarterly results

| (in millions of euro) | Full year 2012 | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 |
|---|---|---|---|---|---|
| **Revenue** | **4,480.1** | **1,084.4** | **1,095.9** | **1,236.5** | **1,063.4** |
| % change vs. 2011 | (3.8) | (1.9) | (3.3) | (3.4) | (6.7) |
| **Recurring EBITDA** | **632.4** | **132.0** | **171.8** | **199.9** | **128.8** |
| % change vs. 2011 | (9.8) | (2.9) | (11.2) | (16.8) | (2.0) |
| *% of revenue* | *14.1* | *12.2* | *15.7* | *16.2* | *12.1* |
| **EBITDA** | **614.9** | **98.2** | **172.7** | **206.4** | **137.6** |
| % change vs. 2011 | (17.1) | (37.6) | (11.3) | (14.3) | (7.7) |
| *% of revenue* | *13.7* | *9.1* | *15.8* | *16.7* | *12.9* |
| **EBIT** | **(150.9)** | **(310.6)** | **59.1** | **76.1** | **24.5** |
| % change vs. 2011 | n.s. | (>100.0) | (27.3) | (37.8) | (35.9) |
| *% of revenue* | *(3.4)* | *(28.6)* | *5.4* | *6.2* | *2.3* |
| **Profit (loss) relating to continuing activities** | **(370.4)** | **(379.1)** | **16.4** | **22.0** | **(29.7)** |
| **Profit (loss) for the period** | **(362.4)** | **(379.5)** | **16.3** | **35.4** | **(34.6)** |
| *% of revenue* | *(8.1)* | *(35.0)* | *1.5* | *2.9* | *(3.2)* |
| **Profit (loss) attributable to owners of the parent** | **(395.8)** | **(356.1)** | **(2.3)** | **11.6** | **(49.0)** |
| **Net debt** (at period end) | **1,998.3** | **1,998.3** | **2,199.9** | **2,283.5** | **2,179.1** |

## Fourth-quarter sales volumes and internal transfers

The figures and changes set out below, like those relating to full-year 2012 illustrated below, do not include sales volumes at Afyon Cimento (Turkey) and Fuping Cement (China), classified, as already indicated, under assets held for sale and sold in the second quarter of 2012.

| | **Cement and clinker (millions of metric tons)** | | | **Aggregates* (millions of metric tons)** | | | **Ready mixed concrete (millionsof m³)** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Q4 2012 | % change vs Q4. 2011 | | Q4 2012 | % change vs Q4. 2011 | | Q4 2012 | % change vs Q4. 2011 | |
| | | Historic | like-for-like basis | | Historic | like-for-like basis | | Historic | like-for-like basis |
| Central Western Europe | 3.8 | (13.7) | (13.7) | 7.4 | (10.3) | (10.3) | 2.2 | (14.3) | (15.1) |
| North America | 1.1 | 1.0 | 1.0 | 0.4 | (0.5) | (0.5) | 0.2 | (15.4) | (15.4) |
| Emerging Europe, North Africa and Middle East | 3.8 | (3.3) | (3.3) | 0.5 | 44.2 | 44.2 | 0.6 | 5.8 | 5.8 |
| Asia | 2.5 | 14.7 | 14.7 | n.s. | n.s. | n.s. | 0.2 | 67.3 | 67.3 |
| Cement and clinker trading | 1.0 | 34.2 | 34.2 | - | - | - | n.s. | n.s. | n.s. |
| Eliminations | (0.9) | n.s. | n.s. | - | - | - | - | - | - |
| **Total** | **11.2** | **(4.3)** | **(4.3)** | **8.3** | **(7.7)** | **(7.7)** | **3.2** | **(8.1)** | **(8.9)** |

Central Western Europe: Italy, France, Belgium, Spain, Greece - North America: U.S.A., Canada, Puerto Rico - Emerging Europe, North Africa and Middle East: Egypt, Morocco, Bulgaria, Kuwait, Saudi Arabia - Asia: India, Thailand, Kazakhstan

Amounts refer to companies consolidated and proportionately consolidated

(*) excluding decreases for processing

n.s. not significant

In **cement and clinker**, the fall in sales volumes from the year-earlier period was slower than in the previous quarters, largely thanks to strong progress in Asia and the almost complete recovery in Egypt, which was steady with the levels of the 2011 fourth quarter. In Central Western Europe the percentage fall from the 2011 fourth quarter was substantially in line with the third quarter, while in North America there was a small increase. In Emerging Europe, North Africa and Middle East the decline was smaller than in the first nine months due to progress in Bulgaria and Kuwait and, as noted, the recovery in Egypt. The growth in Asia was supported by the sharp increase in sales volumes in Thailand and India, while significant progress continued to be made in cement and clinker trading.

In **aggregates**, the fall was caused by Central Western Europe due above all to the sharp contraction in Italy and Spain. On the other markets Morocco made healthy progress, while North America was unchanged.

Also in **ready mixed concrete**, the fall was largely due to Central Western Europe, with a negative trend in all countries, with the exception of France-Belgium. In relation to more limited volumes, North America reported a slowdown, while Emerging Europe, North Africa and Middle East reported growth, as did Asia.

## Fourth-quarter results

In the fourth quarter **revenue** was 1,084.4 million euro, down 1.9% due to the negative performance of Central Western Europe, counterbalanced by sharp growth in Asia (thanks above all to Thailand) and cement and clinker trading, and more modest progress in Emerging Europe, North Africa and Middle East (growth in all countries except Morocco) and North America. On a like-for-like basis and at constant exchange rates, revenue would have been down 2.3% from the fourth quarter of 2011.

**Recurring EBITDA**, at 132.0 million euro, was down 2.9% from the year-earlier period.

**EBIT**, which reflected restructuring expense (46.4 million euro), impairment losses of 293.0 million euro (134.4 million euro in the fourth quarter of 2011), was negative at 310.6 million euro and compared with negative EBIT of 103.2 million euro in the year-earlier period.

With the impact of the above-mentioned impairment losses, the fourth quarter showed a loss of 379.5 million euro (121.6 million euro).

## Full-year sales volumes and internal transfers

### Sales volumes by geographical area

| | Cement and clinker (millions of metric tons) | | | Aggregates* (millions of metric tons) | | | Ready mixed concrete (millionsof m³) | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | % change vs 2011 | | 2012 | % change vs 2011 | | 2012 | % change vs 2011 | |
| | | Historic | like-for-like basis | | Historic | like-for-like basis | | Historic | like-for-like basis |
| Central Western Europe | 16.0 | (16.1) | (16.1) | 30.5 | (12.4) | (12.4) | 9.0 | (15.9) | (16.9) |
| North America | 4.2 | 0.3 | 0.3 | 1.5 | 11.5 | 11.5 | 0.8 | 3.4 | 3.4 |
| Emerging Europe, North Africa and Middle East | 14.9 | (4.5) | (4.5) | 1.8 | 6.6 | 6.6 | 2.3 | 1.6 | 1.6 |
| Asia | 10.1 | 8.8 | 8.8 | 0.2 | (38.0) | (38.0) | 0.8 | 10.0 | 10.0 |
| Cement and clinker trading | 3.6 | 30.6 | 30.6 | - | - | - | n.s. | n.s. | n.s. |
| Eliminations | (2.9) | n.s. | n.s. | - | - | - | - | - | - |
| **Total** | **45.9** | **(6.6)** | **(6.6)** | **34.0** | **(10.8)** | **(10.8)** | **12.9** | **(10.8)** | **(11.6)** |

Amounts refer to companies consolidated and proportionately consolidated
(*) excluding decreases for processing
n.s. not significant

In **cement and clinker**, Central Western Europe recorded a significant and generalized slowdown, with the key factors being the contraction in sales in Italy (where consumption returned to the levels at the end of the 1960s), Spain and France-Belgium. In North America, the marginal progress of the fourth quarter confirmed a situation of stability for the full year compared with 2011. In Emerging Europe, North Africa and Middle East, the reduction caused in particular by Egypt and by a market decline in Morocco was offset in part by progress in Bulgaria. A good increase in sales volumes was reported in Asia thanks to Thailand and India and a strong increase was reported in Trading.

In **aggregates**, the decline was largely due to Central Western Europe, penalized above all by the sharp fall in Spain. Performance was positive in North America and Morocco.

In **ready mixed concrete**, the fall arose from the general negative situation in Central Western Europe. On other markets, with more limited sales volumes, progress was reported in North America, in Emerging Europe, North Africa and Middle East, thanks to Egypt and Kuwait, and in Asia.

## Revenue and operating performance

### Contribution to consolidated revenue

| (in millions of euro) | 2012 | | 2011 IFRS 5 | | Change 2012/11 | |
|---|---|---|---|---|---|---|
| | | % | | % | % | % (*) |
| **Line of business** | | | | | | |
| Cement and clinker | 2,903.5 | 64.8 | 2,993.1 | 64.3 | (3.0) | (5.0) |
| Ready mixed concrete and aggregates | 1,280.3 | 28.6 | 1,387.9 | 29.8 | (7.8) | (8.8) |
| Others | 296.3 | 6.6 | 276.4 | 5.9 | 7.2 | 15.7 |
| **Total** | **4,480.1** | **100.0** | **4,657.4** | **100.0** | **(3.8)** | **(4.9)** |
| **Geographical area** | | | | | | |
| Central Western Europe | 2,332.4 | 52.1 | 2,596.3 | 55.7 | (10.2) | (9.6) |
| North America | 439.1 | 9.8 | 404.7 | 8.7 | 8.5 | 4.2 |
| Emerging Europe, North Africa and Middle East | 950.6 | 21.2 | 989.4 | 21.2 | (3.9) | (7.7) |
| Asia | 520.3 | 11.6 | 454.9 | 9.8 | 14.4 | 14.0 |
| Cement and clinker trading | 164.5 | 3.7 | 138.6 | 3.0 | 18.6 | 15.9 |
| Others | 73.2 | 1.6 | 73.5 | 1.6 | (0.5) | (7.5) |
| **Total** | **4,480.1** | **100.0** | **4,657.4** | **100.0** | **(3.8)** | **(4.9)** |

(*) at constant exchange rates and on a like-for-like basis

### Revenue and operating results by geographical area

| (in millions of euro) | Revenues | | Recurring EBITDA | | EBITDA | | EBIT | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | % change vs. 2011 | 2012 | % change vs. 2011 | 2012 | % change vs. 2011 | 2012 | % change vs. 2011 |
| Central Western Europe | 2,417.9 | (9.8) | 232.4 | (24.3) | 214.9 | (36.9) | (223.6) | (>100.0) |
| North America | 439.5 | 8.5 | 44.5 | >100.0 | 51.3 | >100.0 | (16.3) | 64.0 |
| Emerging Europe, North Africa and Middle East | 1,008.7 | (0.1) | 287.2 | (9.8) | 287.8 | (9.9) | 88.6 | (54.9) |
| Asia | 520.9 | 14.2 | 85.4 | 1.8 | 84.5 | (0.4) | 34.8 | (22.3) |
| Cement and clinker trading | 213.0 | 16.1 | 8.9 | (16.4) | 8.7 | (17.9) | 5.6 | (17.9) |
| Others | 342.2 | (19.3) | (25.5) | 24.4 | (32.0) | 8.6 | (39.6) | 31.8 |
| Eliminations | (462.2) | n.s. | (0.5) | n.s. | (0.4) | n.s. | (0.3) | n.s. |
| **Total** | **4,480.1** | **(3.8)** | **632.4** | **(9.8)** | **614.9** | **(17.1)** | **(150.9)** | **n.s.** |

n.s. not significant

The decline in **revenue,** of 3.8% from 2011, was caused by the business slowdown (-4.9%) and a negative consolidation effect (-0.6%), countered by a positive exchange-rate effect (+1.7%).

A factor in the revenue downturn was the fall in sales volumes, countered in part by a favorable sales prices trend in some countries, notably Italy, Egypt and North America.

At constant exchange rates and on a like-for-like basis, the most significant progress in absolute terms came in India, cement and clinker Trading, Thailand and North America. There was a fall in Central Western Europe (Italy, France-Belgium and Spain), Egypt and Morocco.

The consolidation effect arose largely from the sale at the end of 2011 of Axim operations (additives for cement and ready mixed concrete) in a number of countries.

The positive exchange-rate effect arose from the appreciation of the US dollar, Egyptian pound and Thai baht and the depreciation of the rupee against the euro.

The operating performance was penalized by the fall in sales volumes, the negative trend in variable costs, largely as a result of the increase in prices, in some countries, in fuel and electricity, and the smaller contribution from $CO_2$ emission rights. These effects were counterbalanced in part by an overall positive trend in sales prices and by incisive measures to recover efficiency on operating expense. The positive exchange-rate effect was largely offset by a negative consolidation effect, especially with regard to the sale of Axim.

**Recurring EBITDA**, at 632.4 million euro, was down 9.8% from 2011.

**Net non-recurring expense** was 17.5 million euro (net non-recurring income of 40.8 million euro in 2011) arising from corporate restructuring expense (56.1 million euro, mainly in Italy), net of net gains from the sale of assets (38.5 million euro) also relating largely to Italy, specifically the gains at Italcementi S.p.A. on the sale of Silos Granari della Sicilia S.r.l. and the Pontassieve cement plant.

**EBITDA**, at 614.9 million euro, was down 17.1% from 2011.

After amortization and depreciation of 456.4 million euro (468.7 million euro) and impairment losses of 309.4 million euro (134.3 million euro), **EBIT** was 150.9 million euro (positive EBIT of 138.9 million euro). Impairment losses related almost entirely to goodwill (243.9 million euro) and property, plant and equipment (64.2 million euro). To a large degree, they were recognized as a result of impairment tests on the Group cash-generating units, which, as illustrated in the notes, determined the main goodwill impairment losses in Spain (156.2 million euro) and Egypt (83.7 million euro) and property, plant and equipment impairment losses in Greece (35.0 million euro). For property, plant and equipment, impairment losses were also recognized in connection with the current production re-organization as a result of which use of the facilities is not foreseeable in the immediate future (in Italy in particular).

Progress in recurring EBITDA was reported in North America and Thailand, while the largest reductions were in France-Belgium, Spain, Morocco and Bulgaria.

## Finance costs and other items

In 2012 net interest expense on net debt increased to 86.5 million euro (84.3 million euro in 2011).

Overall, **finance costs net of finance income** decreased from 99.6 million euro to 84.5 million euro (-15.1%).

This trend was also determined by net exchange-rate gains of 4.4 million euro (net exchange-rate losses of 10.5 million euro in 2011) with a positive increase of 14.9 million euro from 2011, and by net derivatives for hedges on $CO_2$ emission rights and Certified Emission Reductions (CER) with a positive effect of 2.3 million euro.

The **share of profit (loss) of equity-accounted investees,** at 11.1 million euro, was down by 40.4% from 2011 (18.6 million euro).

**Impairment losses on financial assets** were not present in 2012; reversals of impairment losses of 7.5 million euro were posted in 2011, as a result of the reversal, in the 2011 income statement after the consolidation of the Calcestruzzi group as from January 1, 2011, of the impairment loss on the Calcestruzzi group posted in the fair value reserve for available-for-sale financial assets on December 31, 2010.

## Profit for the year

The Group posted a **loss before tax** of 224.2 million euro, compared with a profit of 65.5 million euro in 2011.

The **loss relating to continuing operations** was 370.4 million euro (loss of 3.6 million euro in 2011).

There was a **loss for the period** of 362.4 million euro (profit of 91.2 million euro in 2011) with a **loss attributable to owners of the parent** of 395.8 million euro (loss of 3.1 million euro) and **profit attributable to non-controlling interests** of 33.4 million euro (94.3 million euro).

## Total comprehensive income

In 2012 **other comprehensive income** showed a net negative balance of 143.7 million euro (a net negative balance of 57.9 million euro in 2011) arising mainly from fair value losses on available-for-sale assets and derivatives for 52.8 million euro and negative translation differences for 92.6 million euro. Considering the loss for the period of 362.4 million euro described in the previous section and the other comprehensive components, 2012 total comprehensive income was negative at 506.1 million euro (negative portions of 495.1 million euro and 11.0 million euro attributable respectively to owners of the parent and non-controlling interests).

The “Statement of comprehensive income” provides a comparison with 2011.

## Capital expenditure

### Capital expenditure by geographical area (*)

| (in millions of euro) | Financial assets | | PPE + investment property | | Intangible assets | | Total capital expenditure | |
|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Central Western Europe | 0.3 | 2.9 | 179.0 | 171.5 | 11.2 | 20.8 | 190.5 | 195.2 |
| North America | - | - | 26.5 | 18.4 | 0.1 | 0.1 | 26,6 | 18,5 |
| Emerging Europe, North Africa and Middle East | - | - | 70.1 | 82.6 | 0.2 | 0.4 | 70.3 | 83.0 |
| Asia | - | - | 51.5 | 57.9 | - | - | 51.5 | 57.9 |
| Cement and clinker trading | 0.1 | - | 3.0 | 3.8 | 0.6 | 0.1 | 3.7 | 3.9 |
| Others and eliminations | | - | 1.1 | (0.1) | 4.6 | 4.0 | 5.7 | 3.9 |
| **Total** | **0.4** | **2.9** | **331.2** | **334.1** | **16.8** | **25.4** | **348.4** | **362.4** |
| Change in payables for non-current assets | 0.3 | - | 21.6 | 35.9 | - | - | 21.9 | 35.9 |
| **Total capital expenditure** | **0.7** | **2.9** | **352.8** | **370.0** | **16.8** | **25.4** | **370.3** | **398.3** |

(*) amounts refer to the area for which the investment is intended

2012 capital expenditure amounted to 370.3 million euro, a decrease of approximately 28 million euro from 2011 (398.3 million euro).

Investments in property, plant and equipment and investment property totaled 352.8 million euro, down by 17.2 million euro from 2011 (370.0 million euro) and were mainly in France-Belgium and Italy.

Investments in intangible assets amounted to 16.8 million euro and were down by 8.6 million euro from 2011 (25.4 million euro); they were chiefly for software development.

Investments in financial assets were marginal, at 0.7 million euro (2.9 million euro in 2011).

## Statement of financial position, cash flows and net debt

### Condensed statement of financial position

| (in millions of euro) | 12.31.2012 | 12.31.2011 |
|---|---|---|
| Property, plant and equipment and investment property | 4,150.4 | 4,470.8 |
| Goodwill and intangible assets | 1,696.5 | 2,017.4 |
| Equity investments and other assets | 652.7 | 670.4 |
| **Non-current assets** | **6,499.6** | **7,158.5** |
| **Current assets** | **2,390.3** | **2,572.3** |
| **Total assets** | **8,889.8** | **9,730.8** |
| Equity attributable to owners of the parent | 2,966.7 | 3,494.9 |
| Equity attributable to non-controlling interests | 1,273.1 | 1,400.0 |
| **Total equity** | **4,239.8** | **4,894.9** |
| **Non-current liabilities** | **2,724.9** | **2,802.9** |
| **Current liabilities** | **1,925.0** | **2,033.0** |
| **Total liabilities** | **4,649.9** | **4,835.9** |
| **Total equity and liabilities** | **8,889.8** | **9,730.8** |

## Condensed statement of cash flows

| (in millions of euro) | | 2012 | | 2011 |
|---|---|---|---|---|
| **Net debt at beginning of period** | | **(2,093.0)** | | **(2,230.9)** |
| Cash flow from operating activities: | | | | |
| Flows before change in working capital | 384.3 | | 445.1 | |
| Change in working capital | 112.0 | | (14.9) | |
| Total cash flows from operating activities | | 496.2 | | 430.2 |
| Capital expenditure: | | | | |
| PPE, investment property, intangible assets | (369.6) | | (395.4) | |
| Financial assets | (0.7) | | (2.9) | |
| Total capital expenditure | | (370.3) | | (398.3) |
| Proceeds from the sale of non-current assets | | 84.6 | | 184.0 |
| Dividends paid | | (120.5) | | (142.4) |
| Calcestruzzi net debt at January 1, 2011 | | - | | (217.7) |
| Cash flow from discontinued operations | | 44.2 | | 259.2 |
| Others | | (39.5) | | 23.0 |
| **Change in net debt** | | **94.8** | | **137.9** |
| **Net debt at end of period** | | **(1,998.3)** | | **(2,093.0)** |

## Net debt breakdown

| (in millions of euro) | 12.31.2012 | 12.31.2011 |
|---|---|---|
| Current financial liabilities | 727.6 | 756.7 |
| Non-current financial liabilities | 2,050.0 | 2,113.1 |
| **Gross financial debt** | **2,777.7** | **2,869.8** |
| Current financial assets | (624.8) | (659.7) |
| Non-current financial assets | (154.6) | (117.1) |
| **Net debt** | **1,998.3** | **2,093.0** |

Despite the adverse economic situation, net debt at December 31, 2012 was 1,998.3 million euro, a reduction of 94.8 million euro from the end of 2011, due in part to efficient control of cash flow from operating activities and the rigorous investment policy to boost industrial and environmental efficiency.

## Financial ratios

| (absolute amounts in millions of euro) | | 12.31.2012 | 12.31.2011 |
|---|---|---|---|
| Net debt | | 1,998.3 | 2,093.0 |
| Consolidated equity | | 4,239.8 | 4,894.9 |
| | **"Gearing"%** | **47.1** | **42.8** |
| Net debt | | 1,998.3 | 2,093.0 |
| Recurring EBITDA | | 632.4 | 697.3 |
| | **"Leverage"** | **3.2** | **3.0** |
| | | **2012** | **2011** |
| Recurring EBITDA | | 632.4 | 697.3 |
| Net finance costs* | | 107.9 | 126.1 |
| | **"Coverage"** | **5.9** | **5.5** |

* finance costs net of gains/losses from the sale of equity investments

## Equity

Total equity at December 31, 2012 was 4,239.8 million euro, down by 655.0 million euro from December 31, 2011 (4,894.9 million euro) mainly due to the loss for the year (362.4 million euro), other comprehensive expense (143.7 million euro) and dividends paid (120.2 million euro).

At December 31, 2012 there were no changes in treasury shares in portfolio with respect to December 31, 2011. Italcementi S.p.A. held 3,793,029 ordinary treasury shares (2.14% of ordinary share capital) servicing stock option plans and 105,500 savings treasury shares (0.1% of savings share capital).

## Reconciliation between parent's loss for the year and equity and loss for the year and equity attributable to owners of the parent

| (in millions of euro) | 2012 |
|---|---|
| **Profit (loss) for the period of the parent (Italcementi S.p.A.)** | **(202.9)** |
| Consolidation adjustments | |
| - Profit (loss) for the period of consolidated companies (in accordance with Group accounting policies) | (40.1) |
| - Elimination of intragroup dividends collected during the year | (426.3) |
| - Reversal of impairment losses (revaluations) in consolidated equity investments | 337.1 |
| - Elimination of intragroup (gains) losses and other changes | (30.2) |
| **Consolidated profit (loss) for the period** | **(362.4)** |
| - Attributable to non-controlling interests | 33.4 |
| **- Attributable to owners of the parent** | **(395.8)** |

| | December 31, 2012 |
|---|---|
| **Equity of the parent (Italcementi S.p.A.)** | **1,476.2** |
| Consolidation adjustments | |
| - Elimination of carrying amount of consolidated equity investments | |
| • Carrying amount of consolidated equity investments | (6,941.3) |
| • Equity of consolidated companies (in accordance with Group accounting policies) | 9,705.0 |
| **- Consolidated equity** | **4,239.9** |
| - Attributable to non-controlling interests | 1,273.1 |
| **- Attributable to owners of the parent** | **2,966.8** |

## Risks and uncertainties

The Risk Management Department formed in 2010 by Italcementi S.p.A. to report to the Chief Executive Officer, is part of the **"Risk & Compliance"** program launched in 2008, inspired by the methodology of the Committee of Sponsoring Organizations of the Tradeway Commission (COSO) and consisting of the following phases:

1. identification of the main areas of risk for Group strategic goals and development of methods and tools to analyze and assess correlated risk events;
2. assessment, at country level and at aggregate level, of identified risk events in terms of impact, probability and timeframe, in order to acquire an overall vision of the Group risk portfolio;
3. selection of priority risks and definition of response strategies, Group governance rules and action to integrate and improve risk management systems; some operating risks are

managed at individual company level, while others requiring specific competences or involving a variety of responsibilities are managed at Group level;

4. implementation of defined mitigation strategies and action and development of the Enterprise Risk Management process;

5. reporting to Top Management and the governance bodies on the main risks, and their management and evolution; in this phase quantification of risks and opportunities is integrated with the enterprise management process, for example in the budget, in results forecasting reviews and in assessment of strategic projects.

**Sustainable development and risk management: protection of people and assets**

Sustainable development favors a corporate approach that balances economic growth, protection of the environment and social sustainability. By constantly pursuing an optimal balance among these elements and ensuring that benefits extend to everyone involved, companies enhance their long-term value, ability to survive and competitive advantage, thus helping to prevent industrial risks.

The Group checks that its protection and prevention programs are consistently applied to all personnel in production sites (employees and other) and to all operations in its companies.

Regulatory limits and Group sustainable development goals and initiatives are examined in a special report (Sustainability Report) and also summarized in a specific section in this report.

The Asset Protection Program continued in 2012; it qualifies the importance of risks and develops a suitable prevention and protection policy, thereby limiting damage to assets and consequent operating losses. The program is now a consolidated Group process.

**Risks relating to the general economic and industry situation**

The economic and financial situation represents an element of risk for the Group, also in relation to its specific area of business, which is sensitive to changes in the economic situation. Household and business propensity to invest in construction is affected by the uncertainty and constraints of the general scenario.

**Risks associated with energy factors**

The cost of energy factors, which represents a large portion of Group variable costs of production, can vary significantly as a result of external factors beyond the Group's control. The Group has adopted measures to mitigate risks for certain energy factors by entering into medium-term supply contracts. Furthermore the centralized procurement organization enables the Group to benefit from more efficient relations with suppliers, optimizing management of stocks and obtaining competitive purchase conditions.

### Risks relating to availability of raw materials

The availability of raw materials is a strategic factor in investment decisions. The Group generally sources its raw materials – limestone, clay, gypsum, aggregates and other materials used in the production of cement, ready mixed concrete and aggregates – from quarries it owns (the majority) or quarries rented from third parties. For these and other significant materials, the Group has also reached specific agreements with suppliers to guarantee continuous, stable procurement, under terms and conditions at the best market levels.

### Environmental risks

The "Sustainability Report" and the section on Sustainable Development in this report illustrate the measures taken by the Group to manage environmental risks and control and reduce emissions. With regard to $CO_2$ emissions, the Group's European companies are exposed to price fluctuations on emission rights depending on their own rights surplus or deficit. The Group's position is therefore constantly monitored to ensure correct risk management (see note 22 in the notes).

### Financial risks

The current period of crisis puts corporate cash flows at risk, endangering companies' self-financing ability and creating difficulties for normal, orderly operations on the financial market.

The Group procures sources of finance and manages interest rates, currency and counterparty risk, for all the companies in the scope of consolidation. The Group uses derivatives to reduce the risk of fluctuations in interest rates and exchange rates with respect to debt and its international operations. Detailed analysis of this type of risk is provided in note 22 of the notes, on net debt.

### Ratings risk

The Group's ability to compete successfully in the marketplace for funding depends on various factors, including its credit ratings assigned by recognized ratings agencies. Its credit ratings may change to reflect changes in its results, financial position, credit structure and liquidity profile. As a result, a rating downgrade may have negative repercussions on the Group's ability to raise funding.

### Legal risks

Suitable provisions and impairment losses have been applied with regard to existing risks and their related economic effects. Estimates and valuations are based on available information and are in any case regularly reviewed, with immediate recognition in the financial statements of any variations.

### Compliance risks

The Group is subject to specific regulations concerning the quality of the products it markets; special monitoring activities have been set up to ensure compliance with the regulations in the countries where it operates.

At a general level, the “Risk and Compliance” program has introduced specific training and circulates procedures and recommendations in the Group countries, to ensure compliance with legislation and with tax, social and environmental regulations. The program is reviewed on an annual basis to take account of regulatory changes.

### Political risks

The Group has taken out insurance covers to limit the financial consequences of possible political measures that might prevent normal management of some subsidiaries in emerging countries.

### Financial disclosure risks

The main characteristics of the risk management system and the internal control system with respect to the financial disclosure process are illustrated in a specific chapter of the “Corporate Governance” report in the Italcementi S.p.A. annual report.

### Insurance

In the interest of all Group subsidiaries, Italcementi has taken out policies with leading insurance companies to cover risks to people and assets, as well as product and general third-party liability covers. As part of its risk coverage policy, the Group aims to optimize risk management costs by assessing direct assumption and transfer to the market. All policies are negotiated under a framework agreement to ensure a balance between the probability of a risk occurring and the damage that would ensue for each subsidiary.

# Performance by country and business

## The Group in 2012

| **Cement:** | **No.** |
|---|---|
| full-cycle cement plants | 49 |
| grinding centers | 10 |
| trading terminals | 7 |
| **Aggregates:** | |
| quarries | 115 |
| **Ready mixed concrete:** | |
| plants | 449 |

## CENTRAL WESTERN EUROPE

| | Italy | France/ Belgium | Spain | Others[1] | Total Central Western Europe |
|---|---|---|---|---|---|
| Full-cycle cement plants | 14 | 10 | 3 | 1 | 28 |
| Grinding centers | 5 | 1 | - | - | 6 |
| Terminals | 2 | - | - | - | 2 |
| Quarries | 24 | 77 | 6 | 1 | 108 |
| Ready mixed concrete plants | 132 | 187 | 7 | 1 | 327 |

| | Revenue | | Recurring EBITDA | | EBITDA | | EBIT | | Capital expenditure | | Employees | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Italy | 800.0 | 918.1 | (25.2) | (12.6) | (40.8) | 10.4 | (171.6) | (142.4) | 71.8 | 76.9 | 3,194 | 3,439 |
| France-Belgium | 1,501.7 | 1,589.7 | 262.8 | 302.8 | 264.1 | 313.7 | 169.0 | 215.6 | 89.6 | 82.6 | 4,051 | 4,113 |
| Spain | 111.3 | 155.4 | (1.2) | 18.5 | (4.3) | 17.6 | (177.4) | (58.2) | 8.1 | 7.6 | 515 | 597 |
| Others [1] | 28.4 | 41.8 | (4.0) | (1.6) | (4.0) | (1.4) | (43.5) | (19.0) | 9.5 | 4.4 | 174 | 194 |
| Eliminations | (23.4) | (24.2) | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,417.9 | 2,680.8 | 232.4 | 307.1 | 214.9 | 340.3 | (223.6) | (4.1) | 179.0 | 171.5 | 7,934 | 8,343 |

(1) Greece

### Italy

2012 saw a strong downturn in demand for **cement** due to the worsening crisis in building construction as a result of the lack of liquidity and rising fiscal pressure. Cement consumption fell for the sixth year running, with a particularly sharp contraction, in all areas of the segment excluding maintenance, and in geographical terms was particularly marked in central Italy. On the trading front, there was a significant fall in cement imports.

Our **cement and clinker** sales volumes dropped by 24.6% from 2011, showing a more negative trend than the market, due to selective measures based on customer solvency and the change in the scope of production. Sales prices showed an important improvement from 2011, with a positive impact on recurring EBITDA in the cement segment, which counterbalanced the negative volume effect. In variable costs, there was a strong increase in the cost of electricity. This was offset to a large degree by measures to raise efficiency, in part through the plan to re-organize the production network launched in 2012. The plan led to the sale in June of the Pontassieve cement plant and the interruption in the third quarter of clinker production in two other plants (Porto Empedocle and Vibo Valentia). This, together with measures regarding other production units, generated significant savings on fixed costs, and counterbalanced in part the less favorable result on management of $CO_2$ emission rights compared with 2011.

In December, faced with the extremely negative trend on the Italian construction materials market, which now has a surplus production capacity with competitive pressures no longer sustainable by the entire segment, the Group drew up a detailed re-organization project ("Project 2015"), based on strong flexibility in the production and commercial system and designed to achieve better levels of efficiency, in part through significant industrial investments, including the revamping of the Rezzato cement plant. "Project 2015", to be implemented during the two years 2013-2014, aims to rationalize not only the Italian industrial and distribution network, but also to act on Group corporate units and on the sales network, through an organizational review to simplify structures and processes, and make them consistent with the contraction in production and sales.

For the plan launched in 2012 and "Project 2015", in 2012 the Group recognized an amount of approximately 47 million euro, under non-recurring expense, and impairment losses on property, plant and equipment of 27.4 million euro.

In **ready mixed concrete and aggregates**, too, 2012 results reflected the continuing market crisis: Group ready mixed concrete sales fell by 22.6% from 2011. The downturn was largely fuelled by the slackening on the general market, to which should be added the effect of the re-organization plan with the disposal of non-core plants. The reduction in sales for major works was more contained, although the area was affected by the economic crisis and the problems created by the credit squeeze. Volumes of aggregates also dropped (-15.6%). Sales prices for ready mixed concrete were substantially stable in 2012 compared with 2011. Although recurring EBITDA in the ready mixed concrete and aggregates segment was sharply negative, it improved compared with 2011, since the savings on fixed costs achieved through the re-organization plan counterbalanced the negative volume effect and the higher cost of production factors not fully carried over to the market. In view of its negative results and in relation to performance in the cement segment with which it is connected, the segment's organization structure is currently undergoing a detailed assessment and review.

### France – Belgium

In 2012 cement consumption fell in France and in Belgium, reflecting the negative impact on the construction sector of the situation of economic stagnation. The reduction was slower in the second half of the year compared with the sharp drop in the first six months, affected by protracted harsh weather conditions.

In France, overall Group **cement and clinker** sales volumes (including marginal export volumes) were down 7.0%; in Belgium (including exports to Luxembourg and the Netherlands) cement sales volumes fell by 10.2% (-13.0% including cement and clinker exports).

Operating results in the cement segment were down largely due to the fall in revenue, caused mainly by the volume effect, counterbalanced only in part by effective containment of operating expense assisted by the measures taken to cut fixed costs.

At the beginning of October 2012 the solid fuel mill at the Couvrot facility began operations; this will generate further important savings.

Group **ready mixed concrete** sales volumes decreased by 6.5% in France, and rose by 3.6% in Belgium.

Operating results were down; the fall in sales volumes was mitigated only in part by the improvement in unit margins.

### Spain

In Spain the sharp contraction in cement consumption continued in 2012, with a stronger downturn in Andalusia than in the Basque Country, due mainly to the negative trend in the residential sector and the situation of public finances, which had negative repercussions for infrastructure.

In this context Group domestic **cement** sales volumes fell by 32.1% from 2011; exports were sustained by Group trading operations and allowed the overall reduction in cement and clinker sales volumes to be kept at 17.4%.

The crisis in the construction sector also had an adverse impact on sales volumes of **ready mixed concrete and aggregates**, which dropped by 58.5% and 57.8% respectively.

In particularly difficult market conditions, the Group continued with increased vigor its measures to support, raise efficiency and rationalize industrial operations; these measures will continue in 2013.

Operating results declined heavily as a result of the significant fall in sales volumes, offset only in part by action to contain fixed costs and by the favorable dynamic in market prices in southern Spain. Goodwill impairment losses (156.2 million euro) on the cement and ready mixed concrete CGU as a result of impairment tests conducted in compliance with IAS 36 were an additional factor affecting EBIT.

### Others

In **Greece**, in a still very difficult economic situation, Group cement and clinker sales were substantially stable (-0.5%) compared with 2011 thanks to exports, while there was a sharp fall in domestic sales. A significant contraction in sales volumes was reported in ready mixed concrete (-48.1%) and aggregates (-36.4%). Operating results were down, reflecting the sharp decrease in sales volumes, whose effect was countered in part by the dramatic reduction in fixed costs. Impairment losses on property, plant and equipment (35.0 million euro) as a result of impairment tests in compliance with IAS 36 were an additional factor affecting EBIT.

## NORTH AMERICA

| | Total North America |
|---|---|
| Full-cycle cement plants | 6 |
| Grinding centers | - |
| Quarries | 3 |
| Ready mixed concrete plants | 32 |

| | Revenue | | Recurring EBITDA | | EBITDA | | EBIT | | Capital expenditure | | Employees | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **Total** | 439.5 | 405.1 | 44.5 | 16.3 | 51.3 | 23.0 | (16.3) | (45.4) | 26.5 | 18.4 | 1,413 | 1,485 |

In the USA, although cement consumption on the Group markets fell slightly in the second half of the year, it was positive overall thanks to healthy progress in the first half, sustained by very favorable meteorological conditions and by a moderate upturn in the residential and commercial sectors.

In this context, Group **cement** sales volumes made marginal progress (+0.3%) with a positive trend in average revenue per unit, which also benefited from the lower impact of distribution and supply chain expense.

**Ready mixed concrete** sales volumes increased by 3.4% while **aggregates** showed a stronger improvement of 11.5%, supported by an important project on an electric power station near the Front Royal site.

Recurring EBITDA made a strong improvement compared with 2011 due to growth in revenues (volume and price effect) and containment of operating expense, and also thanks to the measures taken to cut fixed costs, which began at the end of 2011.

## EMERGING EUROPE, NORTH AFRICA AND MIDDLE EAST

| | Egypt | Morocco | Others[(1)] | Total Emerging Europe, North Africa and Middle East |
|---|---|---|---|---|
| Full-cycle cement plants | 5 | 3 | 2 | 10 |
| Grinding centers | - | 1 | - | 1 |
| Terminals | - | - | 2 | 2 |
| Quarries | - | 4 | - | 4 |
| Ready mixed concrete plants | 20 | 26 | 9 | 55 |

| | Revenue | | Recurring EBITDA | | EBITDA | | EBIT | | Capital expenditure | | Employees | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Egypt | 563.9 | 551.8 | 126.9 | 129.6 | 127.1 | 129.6 | (24.2) | 63.2 | 31.2 | 39.1 | 4,573 | 4,622 |
| Morocco | 325.4 | 353.2 | 137.4 | 152.2 | 137.8 | 153.2 | 100.6 | 115.7 | 18.7 | 34.7 | 978 | 984 |
| Others [(1)] | 119.5 | 105.4 | 22.9 | 36.6 | 22.9 | 36.7 | 12.2 | 17.4 | 20.2 | 8.9 | 736 | 764 |
| Eliminations | - | (0.3) | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,008.7 | 1,010.1 | 287.2 | 318.4 | 287.8 | 319.5 | 88.6 | 196.3 | 70.1 | 82.7 | 6,287 | 6,370 |

(1) Bulgaria, Kuwait, Saudi Arabia

### Egypt

The general situation in Egypt remained fragile, even though signs of stabilization emerged after the presidential elections in June. Despite the weaknesses in the general situation, cement consumption grew, buoyed above all by the residential sector, with an estimated improvement of around 5% from 2011.

The difficult competitive environment created by the presence of new production capacity on the market, together with a commercial policy to support sales prices, which led to an improvement in average revenue per unit on the domestic market, slowed Group domestic cement sales volumes, which were down 15.4%. Good performance in sales of clinker and exports kept the overall decline in **cement and clinker** sales at 5.4%.

The strong recovery in the fourth quarter led to a 6.4% increase in **ready mixed concrete** sales, although prices were down due to competitive market pressures.

As a whole operating results were slightly lower than in 2011, largely due to a negative volume effect and sales mix and to the strong increase in the cost of energy factors (notably gas).

These dynamics were offset in part by the results of the measures to recover efficiency on variable costs and, in the translation of results into euro, by the appreciation of the local currency. Goodwill impairment losses (83.7 million euro) posted during the year as a result of impairment tests in compliance with IAS 36 were an additional factor affecting EBIT.

## Morocco

In Morocco, cement consumption fell in 2012. The extremely positive performance of the first quarter was countered by a slight downturn in the second quarter and sharper contractions in the third and fourth quarters caused mainly by the slowdown in private investments in social building and public works.

In this market context, Group domestic **cement** sales volumes were down 8.0%: average sales prices fell slightly, but as from November gradually recovered from the lows reported in October 2012.

**Ready mixed concrete** sales volumes showed a similar decrease, while sales of **aggregates** showed progress of 7.1%, supported notably, as from the fourth quarter, by important road and industrial construction sites in Jorf Lasfar.

Operating results were down on 2011, due to the reduction in revenue caused by the volume and price effect, mitigated only in part by the decrease in the cost of fuel and the overall efficiency of the Ait Baha plant.

## Others

In **Bulgaria**, although cement consumption slackened, Group overall cement and clinker sales increased by 26.4%, driven above all by exports, showing strong progress against 2011. Operating results were down, penalized by a fall in sales prices, the rise in supply chain and maintenance costs and the fall in income from management of $CO_2$ rights.

In **Kuwait**, in a positive market context, Group cement sales volumes made strong progress in the fourth quarter, largely counterbalancing (a 3.6% decline for the full year) the reduction reported for the year to September 30, 2012. Ready mixed concrete sales increased by 5.4%. The rise in procurement costs in the cement segment, not transferred in full to sales prices, and the increase in the cost of aggregates in the ready mixed concrete segment generated the decrease in operating results.

## ASIA

| | Thailand | India | Others(1) | Total Asia |
|---|---|---|---|---|
| Full-cycle cement plants | 2 | 2 | 1 | 5 |
| Grinding centers | 1 | 1 | - | 2 |
| Quarries | - | - | - | - |
| Ready mixed concrete plants | 32 | - | 1 | 33 |

| | Revenue | | Recurring EBITDA | | EBITDA | | EBIT | | Capital expenditure | | Employees | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Thailand | 227.9 | 194.1 | 30.0 | 23.5 | 29.8 | 24.5 | 5.3 | 8.0 | 22.5 | 11.4 | 858 | 863 |
| India | 248.6 | 223.5 | 51.8 | 57.2 | 51.2 | 57.2 | 32.3 | 38.7 | 24.5 | 42.7 | 795 | 797 |
| Others (1) | 44.4 | 38.7 | 3.5 | 3.1 | 3.5 | 3.1 | (2.9) | (2.0) | 4.5 | 3.7 | 289 | 298 |
| Eliminations | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 520.9 | 456.3 | 85.4 | 83.8 | 84.5 | 84.9 | 34.8 | 44.8 | 51.5 | 57.9 | 1,942 | 1,958 |

(1) Kazakhstan

### Thailand

Despite an uncertain political situation, the Thai economy made healthy progress in 2012. Performance was positive in the construction sector, with cement consumption, buoyed by public and private investments, growing by an estimated 11.5% from 2011. This trend was not reflected in the trend for sales prices, which declined due to the fierce competitive climate.

Group domestic cement sales volumes increased by 9.8%, while overall **cement and clinker** sales improved by 10.3%. Average sales prices on the domestic market rose in the second half, but fell over the full year.

**Ready mixed concrete** sales volumes increased by 5.5% from 2011 thanks to a strong upturn in the fourth quarter, after a negative first half.

Operating results were up, driven above all by stronger sales volumes, whose impact was nonetheless heavily countered by the increase in the cost of electricity.

### India

Demand on the market in southern India in 2012 is estimated to be positive, although official figures are not available (the last official figure was +9.0% at June 30, 2012) due to the ban placed by the local competition authorities on the release of cement consumption information as a result of the lawsuits in the cement industry in recent years.

Despite market conditions characterized by a continuous (if slower) increase in installed production capacity, Group domestic cement sales grew by 15.7%, thanks in part to the development of commercial operations in new markets. Overall **cement and clinker** sales (including exports) increased by 9.7%.

Average sales prices fell in the fourth quarter but grew over the full year, compared with the already significant progress reported in 2011.

Operating results were penalized in translation into euro by the depreciation of the local currency, and decreased slightly due to the strong rise in energy costs (due to a shortage of coal on the domestic market), although this was largely counterbalanced by the rise in sales volumes and sales prices.

### Others

In **Kazakhstan**, 2012 was another year of strong growth in the construction sector, in part thanks to government investment programs. Group overall sales of cement and clinker were affected by the presence of new producers and decreased by 7.4% compared with 2011. The increase in average sales prices, tight control over general expense and the sharp rise (+57.9%) in ready mixed concrete generated an improvement in recurring EBITDA, despite the fall in cement sales volumes and rise in variable costs.

## CEMENT AND CLINKER TRADING

| | Total Cement and clinker trading |
|---|---|
| Grinding centers | 1 |
| Trading terminals | 3 |
| Ready mixed concrete plants | 2 |

| | Revenue | | Recurring EBITDA | | EBITDA | | EBIT | | Capital expenditure | | Employees* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| **Total** | 213.0 | 183.4 | 8.9 | 10.6 | 8.7 | 10.7 | 5.6 | 6.8 | 3.1 | 3.8 | 346 | 340 |

* the figure refers to all operations, including fuel trading

2012 intragroup and third-party cement and clinker sales volumes rose by 30.6% from 2011.

The significant increase in volumes was largely due to Interbulk third-party sales, although intragroup sales also increased.

Operating results were down because of a negative trend in sales prices. In the fourth quarter results benefited from the effect arising from ready mixed concrete sales to TASIAT, the company with which an agreement has been signed for the installation of two ready mixed concrete plants in Mauritania.

## Energy

During 2012 the company continued work on the projects launched in previous years and coordinated management of plants that went into operation. A brief description of initiatives in the various countries is provided below.

### Italy

Regarding revamps of hydroelectric plants, work was completed on the facilities in **Palazzolo sull'Oglio (Brescia)** and **Borgo San Dalmazzo I Salto and II Salto.**

The **photovoltaic plant in Guiglia (Modena)**, owned by i.Fotoguiglia (with Italgen holding a 30% share) reported total production for the year of 8.8 GWh, with a 99.9% availability rate. A convention was signed with the Italian Electric System Authority, which assigned the 20-year government incentives as from June 27, 2011.

**Morocco**

In the fourth quarter of 2012 the **solar concentrator project** currently under construction in **Ait Baha** received a contribution from the Moroccan Ministry of Energy for its innovative content.

Regarding the **wind farm project (10 MW) in Safi,** after the feasibility study of 2011, offers were received from suppliers, environmental approval was obtained, and land concession contracts must now be negotiated.

During the year the **Laayoune wind farm (5 MW)** produced 16.6 GWh, covering 58% of the energy requirement of the Laayoune grinding center.

**Bulgaria**

During 2012 the **Kavarna I and Kavarna II wind farms (18 MW)** produced 43.4 GWh with an availability rate of 96%. A new law introduced in the third quarter imposed payment of an additional contribution of 10% of turnover for access rights to the network. The industry associations are taking action to persuade the government to review the new levy.

**Egypt**

For the **Gulf El Zeit wind farm project (120 MW),** in 2012 an agreement was signed with the relevant government body which granted Italgen Misr title to the areas for the installation of the wind farm and building approval. A production license was obtained – the first in the country – completing the permitting procedure and authorizing power generation.

**Greece**

In 2012, in cooperation with the subsidiary Halyps Cement, a preliminary analysis was conducted for a **wind project in Mandra**, near Athens, where Halyps owns a quarry and some adjoining land. In light of the positive findings of a series of preliminary checks, it has been decided to investigate further.

**2012 results**

Italgen S.p.A. revenue amounted to 80.3 million euro, up by 40.1% from 2011. The increase was largely due to action to optimize power procurement, which involved larger sales volumes on the electricity market.

Power production was 269.8 GWh, down by approximately 14% from 2011 due to low rainfall in the early months of the year and completion of revamping work as scheduled. Consequently the degree of use of the plants was down on the previous year, from 88% to 77%.

Recurring EBITDA was 13.3 million euro in 2012, down 24.8% from 2011 (17.7 million euro) with a trend reflecting the above-mentioned fall in energy production, associated with an increase in less remunerative sales of purchased energy. Profit for the year was 6.4 million euro, down 67.3% from 2011 which benefited from the gain from the sale of Italgen Elektric Uretim.

## Transactions with related parties

For the purposes of the consolidated financial statements, dealings with related parties concerned:

- the parent Italmobiliare S.p.A. and the Italmobiliare group companies (subsidiaries, joint ventures, associates and their subsidiaries);
- Italcementi S.p.A. subsidiaries not consolidated;
- joint ventures and their subsidiaries;
- associates and their subsidiaries;
- other related parties.

Key figures at December 31, 2012 for transactions with related parties are provided in the notes (note 35).

Transactions with related parties reflect Italcementi S.p.A.'s interest in leveraging the synergies within the Group to enhance production and commercial integration, employ competencies efficiently and rationalize use of corporate divisions and financial resources.

All dealings with related parties, whether financial or relating to the exchange of goods and services, are conducted at normal market conditions and comply with the Code of Conduct. No atypical or unusual transactions as defined by Consob Communication no. DEM / 6064293 of July 28, 2006 took place during the year.

### Transactions with Italmobiliare S.p.A. and Italmobiliare group companies

Italcementi S.p.A. is subject to management and coordination by Italmobiliare S.p.A..

Italcementi S.p.A. provides Italmobiliare S.p.A. and that company's subsidiaries with personnel administration services and receives and provides services. It also provides Italmobiliare S.p.A. with a share register management service and administration services for shareholders' meetings.

Following the introduction of the "tax consolidation" regime in Italian tax law, Italcementi S.p.A. and some of its Italian subsidiaries elected national tax consolidation as per articles 117-129 of the Consolidated Income Tax Act (TUIR), with Italmobiliare S.p.A. as the consolidating company.

Italcementi S.p.A. does not hold nor held during the year, directly or indirectly, Italmobiliare S.p.A. shares.

### Transactions with subsidiaries, joint ventures, associates and their subsidiaries

Transactions with subsidiaries not consolidated on a line-by-line basis and with the other companies are of a trading nature (exchange of goods and/or services) and a financial nature.

### Transactions with other related parties

In 2012, Finsise S.p.A., whose majority shareholder is Italo Lucchini, a director of Italcementi S.p.A., provided administrative, financial, contractual, tax and corporate re-organization consultancy services for a consideration of 360,000 euro. A similar contract for an annual consideration of 10,500 euro exists between Finsise S.p.A. and the subsidiary

Azienda Agricola Lodoletta S.r.l..

During the year Italcementi S.p.A. and subsidiaries received legal services for 272,000 euro from the law firm of which Luca Minoli, a director of Italmobiliare S.p.A., is a partner.

Kilometro Rosso S.p.A., a company in which the director Alberto Bombassei holds an investment, charged an amount of 8,000 euro for residual management expense relating to the land occupation contract by Italcementi S.p.A.. Italcementi S.p.A. also paid Kilometro Rosso S.p.A. an amount of 100,000 euro, for a call option on the area, and a down payment of 350,000 euro for the purchase of land and building rights inside the Kilometro Rosso science and technology park.

In 2012 Italcementi S.p.A. disbursed an amount of 600,000 euro and set aside an additional amount of 300,000 euro to the Italcementi Cav. Lav. Carlo Pesenti foundation to cover management costs. With regard to the contract for the supply of corporate-administrative services and to other services, Italcementi S.p.A. charged the foundation an amount of 191,000 euro. CTG S.p.A. provided the foundation with services for 42,000 euro.

Transactions with related parties are illustrated in the notes, while remuneration paid to the Italcementi S.p.A. Directors, Statutory Auditors, Chief Operating Officer and Manager in charge of preparing the financial reports, for positions held within the Group are illustrated in the Remuneration Report.

## Information systems

The objective of harmonizing a number of processes of several key Group subsidiaries was successfully achieved in 2012. Significant results are described below:

- integration of the budget and reporting process in a single application with a single reference model;
- adoption of a solution for management of operating treasury processes at all the main subsidiaries;
- implementation of an investment management model from the initial approval stage to the final check;
- management reporting solutions.

The areas of intervention identified in 2012 with regard to activities to be realized in 2013 has moved to solutions to support commercial and marketing processes. In addition, during 2013, the Group will develop and roll out new functionalities relating to procurement processes. Additional measures to simplify internal management and planning processes have been planned.

Technological advances focused largely on extending use of IT services in contexts of greater mobility and on reducing and making variable the costs of the services.

## Sustainable development

In 2012, the Group maintained and strengthened its commitment to sustainable development in all countries and lines of business, with initiatives coordinated by the Group's "Sustainable Development Steering Committee". Details on objectives, initiatives and results are provided in the "Sustainability Report".

## Human resources

Efficiency-raising measures continued in 2012 and led to a reduction in the workforce from 19,462 to 18,886 persons. The largest reductions were in the Italian production units, in North America and in Spain.

The downsizing took place largely through restructuring agreements drawn up with the unions, special exit or retirement incentives, and attention to limiting social impact. This enabled the Group to maintain a correct internal climate and keep strikes and forms of union unrest at an immaterial level.

Close attention to reducing costs did not prevent the necessary **personnel development** measures, designed to enhance key competences and retain the most qualified employees; this kept turnover of key personnel to a physiological minimum, confirming the strong sense of belonging in the organization.

In 2012 the Group provided 326,552 hours of **training** involving 19,324 people on at least one course for a total of 31,186 participants.

Training activities are always structured in 4 areas: Development of human capital, Efficiency, Sustainable development and innovation, Compliance and risk mitigation.

In 2012 there was a strong increase in use of e-learning training (4,596 people registered for at least one on-line course, 73% successfully completed), thanks to implementation of LearningPORT throughout the Group.

Two series of e-learning modules were completed on the production process and cement and ready mixed concrete technologies, in order to valorize and spread basic Group know-how.

Initiatives continued in 2012 to improve the **corporate governance** system, using the methodology already developed in previous years. Through specific initiatives on several potentially critical areas, priority was given to segregation of responsibilities and to implementation of compensatory and a posteriori controls where alignment with standards is not fully possible.

Integration and maintenance continued, from a process viewpoint, of Management Systems (Quality, Environment, Safety) and integration is underway of the requirements for the Information Technology Infrastructure Library (ITIL) standard to provide IT solutions in line with the top international standards, in part to mitigate IT offences as per Legislative Decree 231/01.

Implementation of the corporate processes was also conducted on all Group companies, each with its own Action Plan adapted to local business requirements and the rules of corporate governance.

A number of initiatives were completed or are underway to identify potential savings, in part through wider use of the corporate IT tools or market solutions.

## Engineering, technical assistance, research and development

**(CTG S.p.A. – Group Technical Center)**

In 2012 CTG S.p.A. carried out engineering, investment project management, technical assistance, and R&D activities for the Group companies in Italy and abroad, providing services for 49.6 million euro (55.2 million euro in 2011).

Staff at the end of 2012 numbered 371 (398 at December 31, 2011), of whom 286 in Bergamo, 78 in Guerville and 7 at Group companies.

Regarding current projects managed by CTG in coordination with the relevant Group companies, for the revamping of the Devnya cement plant in Bulgaria (4,000 mt of clinker per day), an agreement was signed with the supplier responsible for building the plant; at the beginning of April 2012, the project moved into the executive stage with the significant involvement of Devnya and CTG in monitoring construction operations. For the revamping of the Rezzato cement plant (Italy, 3,000 mt of clinker per day), completion of which is scheduled by the end of 2014 with an investment of 150 million euro, purchase orders have been issued for the main plants and engineering services. In Gulbarga, India, work continued on the new plant (7,000 mt of cement per day) and the related power station and environmental approvals are pending; meanwhile, analysis of the tenders for the construction of the plant is underway. Regarding the opening of the Barry quarry (Belgium), a series of technical project decisions were taken, and the project should become operational in 2015.

Other projects concern, in India, a feasibility study for a grinding center (1.2 million mt/y) in Sholapur in the state of Maharashtra; in Morocco a new grinding center (0.45 million mt/y) in Jorf Lasfar, currently under construction and due for completion in January 2014; in North America a new cement terminal on Lake Ontario, Toronto, Canada, under construction and scheduled for completion in March 2014.

Assistance operations included activities to improve product quality and boost efficiency at a number of cement plants, and support for the fine-tuning of the most recent projects that have gone into operation.

R&D work focused on materials and processes; seven patent applications were filed during the year.

For the new products, i.light, TX Active, Alipre, the Group is defining new formulations, improving performance and containing production costs.

New formulations were defined and tested for various types of concrete.

Regarding reduction of $CO_2$ emissions, the Group continued monitoring new technologies and assessing their applications in the cement sector, while constant attention was devoted to the formulation of cements and to production of clinker with lower emissions.

## Innovation

2012 focused on achieving greater proximity to the markets on which the Group operates by transferring new-product know-how, providing assistance to improve existing products and support for promotion and marketing operations. The result was an extension of the portfolio of innovative projects with attention to strengthening the Group's image as industry leader in innovation, and to renewing the offer of services and products for application, to flank standard production.

Special attention was given to development of incremental solutions in response to the reduction of revenue from innovation as a result of the termination of operations linked to direct production of cement and ready mixed concrete additives; in this area cooperation is underway with Sika on research and development of possible synergies in production and the product range.

The focus on developing the opportunities offered by the emerging markets led to the assessment of a low-cost production process for cellular cement blocks synergetic with the extension of the use of cement in new segments and with BravoBuild retail operations.

During the year the study of the new Group Product Branding strategy was completed; the portfolio of products, innovative and not, will be presented with a consistent image, highlighting the performance offered by the various product families.

Sales volumes of sulfoalluminate cement-based products (ALIPRE range) increased significantly, in part thanks to the gradual expansion of the range where a ready product flanking clinker and binders is now available.

A new proposal introduced in 2012 was i.idro DRAIN, the new draining cement. With its many qualities, management of rainwater, reduction of urban heat islands, aesthetic value and mechanical properties, the new cement has been used in many projects, winning unanimous approval.

In the second half of the year, i.lab, the new Italcementi Research & Innovation center, again hosted a series of events and welcomed large numbers of visitors who had the opportunity to see for themselves the innovative products – TX Active®, i.light, Effix Design – used in the construction of the building itself.

At the end of the year the customary audit was conducted to certify the parameter measuring the Group's innovation performance, the Innovation rate (IR, the percentage of Innovation Revenue on Operating Revenue). Although Axim additives were no longer included in the scope of consolidation, revenue was more than 115 million euro and the Innovation rate was 2.6%.

Looking ahead, the aim will be to achieve a strong increase in revenue from new products by focusing on the concept of differentiation in order to offer specific products for each type of application. This process is already well underway in some mature countries, and will be extended to all Group operations, and specifically to the emerging markets.

## E-business

In 2012 BravoSolution group revenue was 61.8 million euro, an increase of 11.3% from 2011 (55.5 million euro). EBITDA was 6.9 million euro, a small increase from 2011, while EBIT was 1.8 million euro (2.7 million euro). Profit before tax was 1.2 million euro (2.2 million euro) and profit for the year was 0.5 million euro (1.1 million euro).

The group maintained its economic performance thanks to the healthy improvement in revenue and to a cost structure compatible with business levels, as well as to measures to contain costs.

2012 revenue at **BravoSolution S.p.A.** amounted to 23.6 million euro (-4.4%), with positive results maintained despite the year's slowdown, with EBITDA showing a moderate reduction from 2011. On a market where customers continued to encounter operating and financial difficulties, **BravoBus S.r.l.** reported a decrease in revenue (-11.7%), but mitigated the impact on results thanks to a structure based largely on variable costs.

**BravoSolution France** reported revenue of 9.0 million euro (-0.8%), and posted a profit for the year.

**BravoSolution Espana S.A.** had a downturn in revenue (-8.2%), but posted a profit before tax.

**BravoSolution UK** reported a significant increase in revenue (+16.1%), and improved its earnings.

The group of companies headed by **BravoSolution US** (USA, Canada, UK) closed 2012 with consolidated revenue of 16.1 million euro, an increase of 29.1% from 2011, with positive EBITDA and a loss for the year, although this was smaller than in 2011.

With regard to the most recent initiatives, growth was achieved by the subsidiaries in **Benelux, Germany** and, above all, in **Dubai**. Conversely, the subsidiary in **Mexico** reported a negative performance and has already taken steps to improve its organization and management.

## Disputes and pending proceedings

A summary of the main current disputes is provided below. Further details are provided in the notes (note 20).

### Belgium

The investigation begun in 2009 by the local Antitrust Authority into some cement producers, including CCB, of the national industry association and the national technical certification body, for allegedly preventing an operator from importing cement produced with ground-granulated blast-furnace slag deemed not to be compliant with national technical regulations, was completed. A decision is expected in the first quarter of 2013.

### Europe

Regarding the investigation begun in November 2008 by the European Commission into some cement producers, including Italcementi S.p.A. and the subsidiaries Ciments Français S.A., Ciments Calcia S.A. and Compagnie des Ciments Belges (CCB) S.A., in December 2010 the European Commission notified the decision for the formal opening of the proceeding to Italmobiliare S.p.A. (and, indirectly through Italmobiliare, to the above-named Group companies and the Spanish subsidiary Financiera Y Minera). Subsequently, in April 2011, the Commission served a further formal notice on Italmobiliare of its decision to request extensive additional economic, financial and commercial information. Italmobiliare provided the information within the required term and, simultaneously, lodged an appeal with the EU General Court against the decision. Both the investigation and the proceedings are still underway.

### Turkey

Regarding the proceeding begun by **Sibconcord** against **Ciments Français** for the non-closure of the 2008 agreement for the sale of the Turkish operations (Set Group), in Russia, the Supreme Court overturned the three previous rulings in favor of Sibconcord, and the case was sent back to the court of first instance. With regard to the proceeding begun in Turkey by Sibcem to annul the arbitration award envisaged by the contract and already found in favor of Ciments Français, the Court of Appeal overturned the ruling of first instance of the court of Kadikoy, which upheld the appeal, and ordered the case to be sent to the court of Istanbul, deemed territorially competent; the hearings are currently underway. The arbitration ruling has been recognized in France, Belgium and Kazakhstan, and proceedings for the recognition of the award are underway in Italy, Bulgaria and Egypt.

## Significant events after December 31, 2012

On February 14, 2013, Italcementi placed a 5-year fixed-rate bond on the European market for a nominal amount of 350 million euro, under its Euro Medium-Term Note Program.

The issue (Ba2 Moody's rating and BB+ Standard and Poor's), by the subsidiary Italcementi Finance S.A., guaranteed by Italcementi S.p.A., ended with a total subscribed value of more than 2.5 billion euro, more than 7 times the requested amount. International operators accounted for a large proportion of the subscribed amount.

The bonds, reserved exclusively for accredited investors with a minimum investment of 100,000 euro, pay a fixed annual coupon of 6.125%. The issue price is 99.477. The gross yield to maturity is 6.25%, corresponding to a yield of 515.5 basis points above the reference rate.

The settlement date for the bond issue, listed on the Luxembourg Stock Exchange, was February 21; the maturity date is February 21, 2018.

## Outlook

In 2013 consumption of construction materials is expected to continue to contract on west European markets, whereas it should show a slight upturn in the USA, and continue to be healthy in most of the emerging countries. In this context, EBITDA could reflect an overall negative impact from the decline in sales volumes, which will be heavier in the first half; this effect could, however, be countered by a positive trend in sales prices in some markets and by current industrial efficiency measures and rigorous control over fixed costs. Based on currently foreseeable market hypotheses, the Group expects EBITDA to improve in 2013.

Bergamo, March 5, 2013

For the Board of Directors
The Chairman
Giampiero Pesenti

# Consolidated financial statements

# Financial statements

## Statement of financial position

| (in thousands of euro) | Notes | 12.31.2012 | 12.31.2011 | Change |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 5 | 4,121,089 | 4,447,322 | (326,233) |
| Investment property | 5 | 29,269 | 23,457 | 5,812 |
| Goodwill | 6 | 1,598,687 | 1,919,288 | (320,601) |
| Intangible assets | 7 | 97,808 | 98,083 | (275) |
| Equity accounted investees | 8 | 207,488 | 216,742 | (9,254) |
| Other equity investments | 9 | 80,096 | 88,246 | (8,150) |
| Deferred tax assets | 21 | 57,600 | 76,217 | (18,617) |
| Other non-current assets | 10 | 307,521 | 289,183 | 18,338 |
| **Total non-current assets** | | **6,499,558** | **7,158,538** | **(658,980)** |
| **Current assets** | | | | |
| Inventories | 11 | 699,720 | 740,991 | (41,271) |
| Trade receivables | 12 | 744,579 | 857,327 | (112,748) |
| Other current assets including derivatives | 13 | 317,949 | 295,271 | 22,678 |
| Tax assets | | 26,638 | 29,348 | (2,710) |
| Equity investments, bonds and financial assets | | 23,006 | 36,022 | (13,016) |
| Cash and cash equivalents | 37.1 | 578,388 | 613,334 | (34,946) |
| **Total current assets** | | **2,390,280** | **2,572,293** | **(182,013)** |
| **Total assets** | | **8,889,838** | **9,730,831** | **(840,993)** |
| **Equity** | | | | |
| Share capital | 14 | 282,549 | 282,549 | - |
| Share premium | 14 | 344,104 | 344,104 | - |
| Reserves | 15 | 35,541 | 131,764 | (96,223) |
| Treasury shares | 16 | (58,690) | (58,690) | - |
| Retained earnings | 17 | 2,363,209 | 2,795,189 | (431,980) |
| **Equity attributable to owners of the parent** | | **2,966,713** | **3,494,916** | **(528,203)** |
| Non-controlling interests | 18 | 1,273,134 | 1,399,975 | (126,841) |
| **Total equity** | | **4,239,847** | **4,894,891** | **(655,044)** |
| **Non-current liabilities** | | | | |
| Financial liabilities | 22 | 2,016,946 | 2,099,268 | (82,322) |
| Employee benefits | 19 | 232,821 | 202,955 | 29,866 |
| Provisions | 20 | 225,435 | 248,790 | (23,355) |
| Deferred tax liabilities | 21 | 209,215 | 222,086 | (12,871) |
| Other non-current liabilities | | 40,529 | 29,788 | 10,741 |
| **Total non-current liabilities** | | **2,724,946** | **2,802,887** | **(77,941)** |
| **Current liabilities** | | | | |
| Loans and borrowings | 22 | 429,479 | 189,296 | 240,183 |
| Financial liabilities | 22 | 296,376 | 543,934 | (247,558) |
| Trade payables | | 605,629 | 618,343 | (12,714) |
| Provisions | 20 | 559 | 1,993 | (1,434) |
| Tax liabilities | | 30,884 | 42,299 | (11,415) |
| Other current liabilities | 23 | 562,118 | 637,188 | (75,070) |
| **Total current liabilities** | | **1,925,045** | **2,033,053** | **(108,008)** |
| **Total liabilities** | | **4,649,991** | **4,835,940** | **(185,949)** |
| **Total equity and liabilities** | | **8,889,838** | **9,730,831** | **(840,993)** |

## Income statement

| (in thousands of euro) | Notes | 2012 | % | 2011 (IFRS 5) | % | Change | % | 2011 (published) |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | 4 | **4,480,091** | **100.0** | **4,657,371** | **100.0** | **(177,280)** | **-3.8** | **4,720,542** |
| Other revenue | | 44,573 | | 37,205 | | | | 37,213 |
| Change in inventories | | 20,193 | | 477 | | | | (241) |
| Internal work capitalized | | 32,221 | | 32,108 | | | | 32,108 |
| Raw materials and supplies | 25 | (1,866,121) | | (1,924,609) | | | | (1,976,767) |
| Services | 26 | (1,117,650) | | (1,132,196) | | | | (1,138,246) |
| Employee expense | 27 | (921,905) | | (940,940) | | | | (947,037) |
| Other operating income (expense) | 28 | (38,987) | | (28,333) | | | | (30,239) |
| **Recurring EBITDA** | 4 | **632,415** | **14.1** | **701,083** | **15.1** | **(68,668)** | **-9.8** | **697,333** |
| Net gains from sale of non current assets | 29 | 38,548 | | 66,315 | | | | 66,275 |
| Non-recurring income (expense) for re-organizations | 29 | (56,112) | | (25,566) | | | | (25,566) |
| Other non-recurring income (expense) | 29 | 23 | | 35 | | | | 35 |
| **EBITDA** | 4 | **614,874** | **13.7** | **741,867** | **15.9** | **(126,993)** | **-17.1** | **738,077** |
| Amortization and depreciation | 4 | (456,382) | | (468,727) | | | | (474,826) |
| Impairment | 5 - 6 | (309,354) | | (134,280) | | | | (134,280) |
| **EBIT** | 4 | **(150,862)** | **-3.4** | **138,860** | **3.0** | **(289,722)** | **n.s.** | **128,971** |
| Finance income | 30 | 58,165 | | 73,584 | | | | 74,202 |
| Finance costs | 30 | (141,115) | | (155,797) | | | | (158,852) |
| Exchange-rate differences and derivatives | 30 | (1,520) | | (17,354) | | | | (17,445) |
| Impairment on financial assets | | - | | 7,524 | | | | 7,524 |
| Share of profit (loss) of equity accounted investees | 8 | 11,108 | | 18,638 | | | | 18,638 |
| **Profit (loss) before tax** | 4 | **(224,224)** | **-5.0** | **65,455** | **1.4** | **(289,679)** | **n.s.** | **53,038** |
| Income tax expense | 31 | (146,168) | | (69,071) | | | | (68,811) |
| **Profit (loss) relating to continuing operations** | | **(370,392)** | **-8.3** | **(3,616)** | **-0.1** | **(366,776)** | **n.s.** | **(15,773)** |
| Profit (loss) relating to discontinued operations | 32 | 7,992 | | 94,770 | | | | 106,927 |
| **Profit (loss) for the period** | | **(362,400)** | **-8.1** | **91,154** | **2.0** | **(453,554)** | **n.s.** | **91,154** |
| Attributable to: | | | | | | | | |
| **Owners of the parent** | | **(395,837)** | | **(3,147)** | | **(392,690)** | | **(3,147)** |
| **Non-controlling interests** | | **33,437** | | **94,301** | | **(60,864)** | | **94,301** |
| Earnings per share | 34 | | | | | | | |
| - Basic | | | | | | | | |
| savings shares | | -1.402 € | | 0.007 € | | | | 0.007 € |
| ordinary shares | | -1.432 € | | -0.023 € | | | | -0.023 € |
| - Diluted | | | | | | | | |
| savings shares | | -1.402 € | | 0.007 € | | | | 0.007 € |
| ordinary shares | | -1.432 € | | -0.023 € | | | | -0.023 € |

n.s.= not significant

## Statement of comprehensive income

| (in thousands of euro) | Notes | 2012 | % | 2011 (IFRS 5) | % | Change | 2011 (published) |
|---|---|---|---|---|---|---|---|
| **Profit (loss) for the period** | | **(362,400)** | **-8.1** | **91,154** | **2.0** | **(453,554)** | **91,154** |
| Fair value gains (losses) on: | | | | | | | |
| Available-for-sale financial assets | | (23,858) | | (49,336) | | | (49,336) |
| Derivatives | | (28,970) | | 20,144 | | | 20,144 |
| Translation differences | | (92,631) | | (23,321) | | | (26,234) |
| Share of other comprehensive income (expense) of equity accounted investees | | (491) | | 649 | | | 649 |
| Tax on other comprehensive income (expense) | | 2,256 | | (3,142) | | | (3,142) |
| **Other comprehensive income (expense) relating to continuing operations** | 33 | **(143,694)** | | **(55,006)** | | **(88,688)** | **(57,919)** |
| Other comprehensive income (expense) relating to discontinued operations | | - | | (2,913) | | 2,913 | - |
| **Total other comprehensive income (expense)** | | **(143,694)** | | **(57,919)** | | **(85,775)** | **(57,919)** |
| **Total comprehensive income (expense)** | | **(506,094)** | **-11.3** | **33,235** | **0.7** | **(539,329)** | **33,235** |
| Attributable to: | | | | | | | |
| **Owners of the parent** | | **(495,072)** | | **(47,159)** | | **(447,913)** | **(47,159)** |
| **Non-controlling interests** | | **(11,022)** | | **80,394** | | **(91,416)** | **80,394** |

# Consolidated statement of changes in equity

| (in millions of euro) | Attributable to owners of the parent | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Reserves | | | | | | | | |
| | Share capital | Share premium | AFS fair value reserve | Derivative fair value reserve | Other reserves | Translation reserve | Treasury shares | Retained earnings | Total share capital and reserves | | |
| **Balances at December 31, 2010** | **282.5** | **344.1** | **54.0** | **(10.1)** | **108.3** | **23.5** | **(58.7)** | **2,781.5** | **3,525.1** | **1,460.9** | **4,985.9** |
| Profit (loss) for the period | | | | | | | | (3.1) | (3.1) | 94.3 | 91.2 |
| Total other comprehensive income | | | (41.9) | 15.2 | | (17.2) | | | (44.0) | (13.9) | (57.9) |
| Stock options | | | | | 0.1 | | | | 0.1 | (0.2) | (0.1) |
| Distribution of earnings: Dividends | | | | | | | | (33.4) | (33.4) | (109.4) | (142.8) |
| % change in control and scope of consolidation | | | | | 0.0 | | | 50.3 | 50.2 | (31.7) | 18.6 |
| **Balances at December 31, 2011** | **282.5** | **344.1** | **12.0** | **5.1** | **108.5** | **6.3** | **(58.7)** | **2,795.2** | **3,494.9** | **1,400.0** | **4,894.9** |
| Profit (loss) for the period | | | | | | | | (395.8) | (395.8) | 33.4 | (362.4) |
| Total other comprehensive income | | | (19.9) | (25.7) | | (53.6) | | | (99.2) | (44.5) | (143.7) |
| Stock options | | | | | | | | | - | | - |
| Distribution of earnings: Dividends | | | | | | | | (40.4) | (40.4) | (79.8) | (120.2) |
| % change in control and scope of consolidation | | | | | 2.9 | | | 4.2 | 7.2 | (36.0) | (28.8) |
| **Balances at December 31, 2012** | **282.5** | **344.1** | **(7.9)** | **(20.6)** | **111.4** | **(47.3)** | **(58.7)** | **2,363.2** | **2,966.7** | **1,273.1** | **4,239.8** |

Italcementi
Italcementi Group

## Statement of cash flows

| (in thousands of euro) | Notes | 2012 | 2011 (IFRS 5) |
|---|---|---|---|
| **A) Cash flow from operating activities:** | | | |
| Profit (loss) before tax | | (224,224) | 65,455 |
| Adjustments for: | | | |
| Amortization, depreciation and impairment | | 771,195 | 596,777 |
| Reversal of the share of profit (loss) of equity accounted investees | | 1,827 | (2,936) |
| Net (gains) losses from the sale of non-current assets | | (64,116) | (90,656) |
| Change in employee benefits and other provisions | | 27,231 | (5,222) |
| Stock options | | - | (183) |
| Reversal financial costs | | 108,061 | 104,953 |
| **Cash flow from operating activities before tax, finance income/costs and change in working capital** | | **619,974** | **668,188** |
| Change in working capital | 37.4 | 111,950 | (14,908) |
| **Cash flow from operating activities before tax, and finance income/costs** | | **731,924** | **653,280** |
| Net finance costs paid | | (106,453) | (105,048) |
| Taxes paid | | (129,269) | (118,063) |
| **Total A)** | | **496,202** | **430,169** |
| **B) Cash flow from investing activities:** | | | |
| Capital expenditure: | | | |
| Intangible assets | | (16,781) | (25,402) |
| Property, plant and equipment and investment property | | (352,869) | (370,058) |
| Financial assets (equity investments) net of cash acquisitions **(*)** | 37.2 | (544) | (2,599) |
| **Total capital expenditure** | | **(370,194)** | **(398,059)** |
| Proceeds from the sale of non-current assets | 37.3 | 84,571 | 182,323 |
| **Total sales** | | **84,571** | **182,323** |
| Change in other non-current financial assets and liabilities | | (5,489) | (3,756) |
| **Total B)** | | **(291,112)** | **(219,492)** |
| **C) Cash flow from financing activities** | | | |
| Increase in non-current financial liabilities | | 305,847 | 128,586 |
| Repayments of non-current financial liabilities | | (291,748) | (332,824) |
| Change in current financial liabilities | | (112,062) | (62,008) |
| Dividends paid | | (120,465) | (142,441) |
| Other changes in equity | | 470 | 757 |
| Change in interests in subsidiaries | | (10,280) | 24,766 |
| Other sources and applications | | (3,489) | (38,704) |
| **Total C)** | | **(231,727)** | **(421,868)** |
| **D) Translation differences and other changes** | | **(14,715)** | **(7,591)** |
| **E) Cash flow relating to discontinued operations** | **32** | **6,406** | **256,896** |
| **F) Cash flows for the period (A+B+C+D+E)** | | **(34,946)** | **38,114** |
| **G) Cash and cash equivalents at beginning of period** | | **613,334** | **575,220** |
| **Cash and cash equivalents at end of period (F+G)** | **37.1** | **578,388** | **613,334** |
| (*) cash of acquired and consolidated companies | | 112 | 280 |

# Contents

## Notes

# Notes

The consolidated financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2012 were approved by the Board of Directors on March 5, 2013. At the meeting the Board authorized publication of a press release dated March 5, 2013 containing key information from the financial statements.

Italcementi S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Stock Exchange since 1925 and is subject to management and coordination by Italmobiliare S.p.A., whose key data from the most recently approved financial statements are provided in an annex to the separate financial statements.
Italcementi S.p.A. and its subsidiaries form the "Italcementi Group", an international player whose main lines of business are hydraulic binders, ready mixed concrete and aggregates. The Group is also active in other areas, some of which are instrumental to its core businesses: materials for the construction industry, transport, energy, engineering and e-business.
The financial statements have been drawn up on a going-concern basis. Despite the difficult economic and financial situation, by virtue of the measures already in place to respond to the changes in demand, and its business and financial flexibility the Group has no material uncertainties about its ability to continue as a going concern.
With the completion of the standardization of the chart of accounts among the Group companies, a number of reclassifications were necessary for an immaterial combined amount with respect to the figures in the consolidated financial statements at December 31, 2011; they related to trade payables and other current liabilities.

## 1. Accounting policies

### 1.1. Statement of compliance with the IFRS

These consolidated financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) applicable at December 31, 2012 endorsed by the EC Commission.
In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2012 that had not been endorsed by the European Union at that date.
With respect to December 31, 2011, **the amendment to IFRS 7 "Financial instruments: disclosures"** relating to disclosures to be made on the transfer of financial assets came into force in 2012; it did not have a material impact.
At December 31, 2012, the European Union endorsed the following standards and interpretations which have not yet come into force, for which early application has not been elected:

**Standards and interpretations to come into force in 2013**

- Amendments to IAS 1 "Presentation of financial statements" relating to the presentation of other comprehensive income.
- Amendments to IAS 19 "Employee benefits". The main changes refer to treatment of past service costs that have not vested and the actuarial gains/losses to be immediately recognized respectively in profit/loss for the period and in other comprehensive income (elimination of the corridor method), the adoption, for plan assets, of the discount rate used to determine the defined benefit liability.
- Amendments to IFRS 7 "Financial instruments: disclosures" regarding offsetting of financial assets and liabilities.
- Amendments to IFRS 1 "First-time adoption of IFRS" regarding severe hyperinflation and removal of fixed dates for first-time adopters.

- Amendments to IAS 12 “Income taxes” with regard to deferred tax and recovery of underlying assets.
- IFRS 13 “Fair value measurement”. This new standard sets out guidelines to determine fair value and disclosures to be made.
- IFRIC 20 “Stripping costs in the production phase of a surface mine”.

Adoption of the above-listed standards, amendments and interpretations is not expected to produce material impacts on the Group financial statements, with the exception of IAS 19 “Employee benefits” revised, whose application, with the elimination of the corridor method, will result in a reduction in opening equity at January 1, 2013 estimated at approximately 95 million euro (approximately 28 million euro relating to financial year 2012 and about 67 million euro to previous years), due to recognition of the net actuarial losses existing at December 31, 2012. The impact arising from the changes in treatment of past service costs and from the changes in plans is immaterial. Overall, application of the new standards in 2012 would have had a modest impact on the income statement, with income of approximately 1-2 million euro as a result of elimination of amortization of the corridor and adoption of the rate used to determined defined benefit liabilities as the rate of return on plan assets.

**Standards and interpretations to come into force in 2014**

- Amendments to IAS 32 “Financial instruments: presentation” regarding offsetting of financial assets and liabilities.
- IFRS 10 “Consolidated financial statements”. The new standard replaces IAS 27 “Consolidated and separate financial statements” and SIC 12 “Consolidation – Special-purpose entities.
- IFRS 11 “Joint arrangements”. The new standard replaces IAS 31 “Interests in joint ventures” and SIC 13 “Jointly controlled entities – Non-monetary contributions by venturers”; it sets out the accounting standards for entities taking part in joint arrangements.
- IFRS 12 “ Disclosure of interests in other entities” which organizes, strengthens and replaces disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- As a result of the introduction of the above standards, IAS 27 will be renamed “Separate financial statements”, which deals exclusively with the preparation of separate financial statements, and the amendments to IAS 28 “Investments in associates and joint ventures”.

The main effect arising from application of the above standards and amendments concerns identification of the type of joint arrangement, jointly controlled operation or joint venture, in order to establish the appropriate accounting treatment. Currently the Group consolidates joint venture with the proportionate method, whereas the new IAS 28 and IFRS 11 contemplate only the equity method.

**Standards and interpretations published by the IASB and the IFRIC at December 31, 2012, but not endorsed by the European Union at that date**

- IFRS 9 “Financial instruments” and amendments thereto and to IFRS 7.
- “Government loans” (amendments to IFRS 1).
- Amendments to a number of IFRS issued in 2009-2011.
- “Transition guidance” (amendments to IFRS 10, 11 and 12).
- Investees (amendments to IFRS 10, 12 and IAS 27).

## 1.2. Accounting policies and basis of presentation

The consolidated accounts adopt the cost principle, with the exception of derivatives and financial assets held for trading or for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The consolidated financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.
The basis of presentation of the Group financial statements is as follows:
current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the Group intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the Group expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
on the income statement, costs are analyzed by the nature of the expense;
with regard to comprehensive income, the Group presents two statements: the first statement reflects traditional income statement components and the profit (loss) for the period, while the second statement, beginning with the profit (loss) for the period, presents other comprehensive income, previously reflected only in the statement of changes in consolidated equity: fair value gains/losses on available-for-sale financial assets and derivatives, currency translation differences;
on the statement of cash flows, the indirect method is used.

### Use of estimates

The preparation of the consolidated financial statements and the notes in conformity with the international financial reporting standards requires management to make discretional assessments and estimates that affect the values of assets, liabilities, income and expense, such as amortization, depreciation and provisions, and the disclosures on contingent assets and liabilities in the notes.
Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present financial and economic crisis, which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question.
Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depends on forecasts of future results and cash flows, measurement of contingent liabilities, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits.
Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.
Given that the Italcementi Group applies IAS 34 “Interim financial reporting” to its half-year reports, with consequent identification of a six-month interim period, any reductions in value are recorded at closure of the half year.

## 1.3. Basis of consolidation

The consolidated financial statements are based on the financial statements as at and for the year ended December 31, 2012, of the parent Italcementi S.p.A. and the consolidated companies. Where necessary, the financial statements are adjusted to ensure alignment with the Group's classification criteria and accounting policies.

### Subsidiaries

Subsidiaries are companies in which the Group has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the Group holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities.
Subsidiaries are consolidated on a line-by-line basis as from the date at which control is obtained and until control is transferred out of the Group.

### Associates

Associates are companies in which the Group has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the Group holds, directly or indirectly, at least 20% of voting rights or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in shareholders' agreements or other forms of material exercise of rights of governance. Investments in associates are measured using the equity method, whereby they are recognized initially at cost, and subsequently adjusted to reflect changes in the Group's interest in the associate's equity. The Group's share of an associate's profit or loss is recognized in a specific income statement line item from the date at which the Group exerts significant influence until it relinquishes such influence.

### Joint ventures

Joint ventures are companies whose business operations are controlled by the Group jointly with one or more other parties, under contractual arrangements. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties that control the venture.
Interests in joint ventures are consolidated on a proportionate basis, whereby assets, liabilities, income and expense are recognized proportionately to the Group's interest.
The equity and income of joint ventures are consolidated from the date on which joint control is assumed and until such control is relinquished.

### Transactions eliminated during consolidation

All intragroup balances and transactions, including any unrealized gains in respect of third parties, are eliminated. Unrealized losses in respect of third parties deriving from intragroup transactions are eliminated, except in cases where it will not subsequently be possible to recover such losses.
Unrealized gains deriving from transactions with associates are eliminated against the equity investment carrying amount, while losses are eliminated proportionately to the Group's interest, unless it will not subsequently be possible to recover such losses.

### Scope of consolidation

A list of the companies consolidated, proportionately consolidated and with the equity method is provided in the annex to these notes.

### Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying amount is recovered chiefly through sale rather than through continuing use; such operations must be an important autonomous business operation or geographical area of operation.
The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.
Available-for-sale assets are recognized at the lower of net carrying amount and fair value less costs to sell. Once property, plant and equipment and intangible assets have been classified as available-for-sale, no further amortization and depreciation may be applied.
In the consolidated income statement, profit (loss) relating to discontinued operations, together with profit or loss from fair value measurement net of costs to sell and the profit or loss arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.
Cash flows relating to discontinued operations are shown separately in the statement of cash flows.
A similar disclosure is also presented for the comparative period.

## 1.4. Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the Group elected not to apply IFRS 3 retrospectively to business combinations that took place before January 1, 2004.
Until December 31, 2009, business combinations were accounted for with the purchase method in IFRS 3.
Since January 1, 2010, business combinations have been accounted for with the acquisition method in IFRS 3 revised.

### Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

### Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:
the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity, with respect to the net value of identifiable assets acquired and liabilities assumed at the acquisition date.
If the difference is negative, it is recognized in the income statement.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

### Business combinations achieved in stages

When a business combination is achieved in stages, through a series of share purchases, for each transaction the fair value of the previously held interest is re-determined and any gain or loss is taken to the income statement.

### Changes in equity interests in subsidiaries

Acquisitions of additional shares after acquisition of control do not require re-determination of identifiable asset and liability values. The difference between the cost and the acquired equity interest is recognized as equity attributable to owners of the parent. Transactions that reduce the percentage interest held without loss of control are treated as sales to non-controlling interests and the difference between the interest sold and the price paid is recognized in equity attributable to owner of the parent.

### Purchase commitments on non-controlling interests

A put option granted to non-controlling interests of a company controlled by the Group is initially recognized by recording the purchase value as a liability, since the value in question is the present value of the put option exercise price.
The complementary acquisition of non-controlling interests whit put options have been granted is recognized in the financial statements:
the non-controlling interests are reclassified under liabilities and the difference between the fair value of the purchase commitment liabilities and the net carrying amount of the non-controlling interests is recognized under equity attributable to owners of the parent;
subsequent changes in liabilities are recognized under equity attributable to owners of the parent with the exception of adjustments to the present value, which are taken to the income statement.

## 1.5. Translation of foreign currency items

The functional currency of the subsidiaries located outside the euro zone is usually the local currency.

### Foreign currencies transactions

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the end of the reporting period, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange-rate gains and losses are taken to the income statement.
Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

### Translation of the financial statements of foreign entities

At the end of the reporting period, the assets, including goodwill, and liabilities of consolidated companies that report in currencies other than the euro are translated into the presentation currency of the Group's consolidated accounts at the exchange rate ruling at such date. Income statement items are translated at the average rate for the period. Gains and losses arising from the translation of opening equity at the closing rates and those arising from the different method used to translate profit or loss for the period are recognized in a specific equity item. In the event of subsequent disposal of a foreign operation, the cumulative translation differences are taken to the income statement.
As allowed under IFRS 1, cumulative translation differences at the date of first-time adoption of the IFRS have been reclassified in "Retained earnings" under equity and therefore will not be taken to the income statement in the event of subsequent disposal.

## 1.6. Property, plant and equipment

### Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized.
The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004, reflects revaluations applied in prior periods in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

### Subsequent expense

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the net carrying amount of the replaced component is expensed.

### Depreciation

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

### Quarries

Costs for the preparation and excavation of land to be quarried are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates reflecting the quantities extracted in the period in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The Group makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with a balancing entry to the asset cost, but is provided to reflect the degree of use of the quarry.

## 1.7. Leases

Finance leases, which substantially transfer to the Group all risks and rewards incidental to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the Group's own property, plant and equipment.
Leases where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Operating lease payments are recognized as expense on a straight-line basis over the lease term.

### 1.8. Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

### 1.9. Goodwill

Goodwill recognized in accordance with IFRS 3 revised is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified as a result of tests conducted on an annual basis or more frequently if indications of impairment emerge.
When goodwill is allocated to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining the gain or loss arising from the transaction.

### 1.10. Intangible assets

Intangible assets purchased separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over asset's useful life.
Other than goodwill, the Group has not identified intangible assets with an indefinite useful life.

### 1.11. Impairment

Goodwill is systematically tested for impairment on an annual basis or more frequently if indications of impairment emerge.
Property, plant and equipment and investment property, and amortizable intangible assets, are tested for recoverability if indications of impairment emerge.
Impairment is the difference between the asset net carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows. Fair value less costs to sell is determined through application of relevant valuation models adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.
In determining value in use, assets are measured at the level of cash-generating units on the basis of their operating attribution. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to the income statement.
Impairment losses on goodwill cannot be reversed.

## 1.12. Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to the income statement.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale and measured at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

## 1.13. Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to their present location, less allowances for obsolete and slow-moving items.
Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Finance costs are not included.
The net realizable value of raw materials, consumables and supplies is their replacement cost.
The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

## 1.14. Trade receivables and other receivables

Trade receivables and other receivables are stated at fair value plus transaction costs, less allowances for the impairment, which are provided as doubtful debts are identified.
The allowance is determined in accordance with Group procedures. When computing the allowance, account is taken of bank guarantees and collateral provided. At account closing, the Group companies conduct a customer-by-customer analysis of doubtful overdue receivables; based on the analysis, the carrying amount of doubtful overdue receivables is appropriately adjusted.
Derecognition of financial assets:
The Group derecognizes all or part of the financial assets when:

- the contractual rights on the assets in question have expired;
- it transfers the near totality of the risks and rewards incidental to ownership of the asset or does not transfer and does not even substantially maintain all the risks and rewards but transfers control of the assets.

## 1.15. Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, bank demand deposits and other cash investments with original maturity of not more than three months. Current account overdrafts are treated as financing and not as a component of cash and cash equivalents.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

## 1.16. Income taxes

Current income taxes are provided in accordance with local tax laws in the countries where the Group operates. Deferred tax is recognized using the liability criterion, based on temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, unless goodwill is tax-deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
- equity investments in subsidiaries, associates and joint ventures when:
  a) the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
  b) it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable income will be available against which the temporary difference can be used;
- deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the end of the reporting period.
Taxes relating to items recognized directly in equity are recognized in equity, not in the statement of income.
Deferred tax assets and deferred tax liabilities are not discounted to present value.

## 1.17. Employee benefits

The Group operates pension plans, post-employment medical benefit plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in some Group companies ("Other long-term benefits").

### Defined contribution plans

Defined contribution plans are structured post-employment benefit programs where the Group pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years. These contributions are paid in exchange for the services rendered by employees and recognized as expense as incurred.

### Defined benefit plans

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the Group. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the Group uses the unit credit projection method to determine the present value of obligations and the related current service cost.
These actuarial calculations require use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increments on salaries and medical benefits).
When a defined benefit plan is funded in full or in part by contributions paid to a fund that is a separate legal entity or to an insurance company, the plan assets are estimated at fair value.
Benefit obligations are therefore recognized net of the fair value of the plan assets that will be used to settle the obligations.

### Termination benefits

Termination benefits include provisions for restructuring costs recognized when the Group company in question has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

### Actuarial gains and losses

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.
The Group uses the corridor method whereby actuarial gains and losses are recognized as income or expense when their unrecognized cumulative net value, for each plan, at the end of the previous period exceeds 10% of the greater of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are taken to profit or loss over the estimated average residual working life of the employees participating in the plans.
Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to early retirement benefits are recognized as income or expense immediately.

### Past service cost

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized as expense on a straight-line basis over an average period until the benefits have vested. Costs for benefits that vest immediately upon changes to a plan are recognized as expense as incurred.

### Curtailment and settlement

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.
At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

### 1.18. Share-based payments

The Group has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by Group companies to employees and directors give rise to recognition of a cost classified under employee expense, with a corresponding increase in equity. In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for extraordinary events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

### 1.19. Provisions for risks and charges

The Group recognizes provisions for risks and charges when a present or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the end of the reporting period. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized in the income statement for the period.
The Group recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission allowances, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the Group recognizes a separate provision when emissions are greater than the allowance.

### 1.20. Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.

### 1.21. Trade payables and other payables

Trade payables and other payables are stated at the fair value of the original consideration received.

### 1.22. Derivatives

The Group uses derivatives such as foreign currency forward contracts and interest-rate swaps and options to hedge currency and interest-rate risks. Derivatives are measured and recognized at fair value.
The fair value of foreign currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles. The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.

### Hedging transactions

Derivatives are designated as hedging instruments or as non-hedging instruments. Transactions that qualify for application of hedge accounting are classified as hedging transactions; other transactions are designated as trading transactions, even if they are performed for the purposes of risk management.
For accounting purposes, hedging transactions are classified as “fair value hedges” if they cover the risk of changes in the fair value of the underlying asset or liability; or as "cash flow hedges” if they hedge cash flows arising from an existing asset or liability or from a future transaction, which are exposed to variability.
With regard to fair value hedges, fair value gains and losses on the derivatives are taken to the income statement immediately. Similarly, the underlying assets or liabilities are measured at fair value and any gain or loss attributable to the hedged risk is recognized as an income or expense balancing entry.
If the movement refers to an interest-bearing financial instrument, it is amortized in the income statement until maturity.
With regard to cash flow hedges (foreign currency forward contracts, fixed-rate interest swaps), the effective component of a change in the fair value of the hedging instrument is reflected in a separate equity item, while time-based changes and the non-effective hedge component are recognized in the income statement. The effective component and non-effective component are calculated using the methods indicated in IAS 39.
Gains or losses arising from changes in the fair value of derivatives designated for trading are recorded as income or expense.
When the financial instrument matures, is sold, settled, exercised or no longer qualifies for hedge accounting, the derivative is no longer treated as a hedging contract. In this case, gains or losses on the derivative are retained in equity until the hedged transaction takes place. If the Group no longer expects the hedged transaction to take place, the net gain or loss in equity is taken to the income statement.

## 1.23. Revenue, other revenue, interest income and dividends

### Sale of goods and services

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the Group and the amount in question can be reliably determined. Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenue from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.

### Rental income

Rental income is recognized as other revenue, as received.

### Interest income

Interest income is classified as finance income on an accruals basis using the effective interest method.

### Dividends

Dividends are recognized as finance income as shareholders’ right to receive payment arises, in accordance with local laws.

### 1.24. Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to the income statement over the useful life of the underlying assets.

### 1.25. Management of capital

The Group monitors its capital using the gearing ratio: net financial position/equity. The net financial position reflects financial liabilities less cash and cash equivalents and other financial assets (as described in note 22). Equity consists of all the items presented in the statement of financial position.
Group strategy aims to keep the gearing ratio at a level such as to ensure the smooth running of business operations, funding of investments and creation of maximum value for shareholders.
To maintain or modify its capital structure, the Group may decide to vary the amount of dividends paid to shareholders, redeem capital, issue new shares, raise or reduce its investment in subsidiaries, purchase or sell investments.

## 2. Exchange rates used to translate the financial statements of foreign operations

Exchange rates for 1 euro:

| | Average rate | | Closing rate | |
|---|---|---|---|---|
| **Currencies** | **Full year 2012** | **Full year 2011** | **December 31, 2012** | **December 31, 2011** |
| Albania lek | 139.02279 | 140.32192 | 139.68570 | 139.03600 |
| Saudi Arabia riyal | 4.82048 | 5.22099 | 4.94838 | 4.85236 |
| Brazil real | 2.50934 | 2.32654 | 2.70360 | 2.41590 |
| Canada dollar | 1.28464 | 1.37598 | 1.31370 | 1.32150 |
| Dubai UAE dirham | 4.73267 | 5.11324 | 4.84617 | 4.75237 |
| Egypt pound | 7.80270 | 8.27659 | 8.37831 | 7.80328 |
| GB sterling | 0.81103 | 0.86785 | 0.81610 | 0.83530 |
| India rupee | 68.61914 | 64.90042 | 72.56000 | 68.71300 |
| Kazakhstan tenge | 191.68530 | 204.12404 | 198.62130 | 191.88500 |
| Kuwait dinar | 0.36003 | 0.38460 | 0.37110 | 0.36056 |
| Libya dinar | 1.61473 | 1.71332 | 1.66508 | 1.62823 |
| Morocco dirham | 11.09850 | 11.26142 | 11.14235 | 11.11290 |
| Mauritania ouguiya | 381.32362 | 391.22452 | 399.82440 | 374.09200 |
| Mexico peso | 16.90479 | 17.28784 | 17.18450 | 18.05120 |
| Moldavia leu | 15.56014 | 16.32856 | 15.91645 | 15.15860 |
| Qatar riyal | 4.68005 | 5.06924 | 4.80394 | 4.71164 |
| People's Republic of China renminbi | 8.10803 | 8.99687 | 8.22070 | 8.15880 |
| Sri Lanka rupee | 163.97081 | 153.84847 | 168.32300 | 147.38600 |
| USA dollar | 1.28538 | 1.39213 | 1.31940 | 1.29390 |
| Switzerland franc | 1.20525 | 1.23297 | 1.20720 | 1.21560 |
| Thailand baht | 39.93881 | 42.43201 | 40.34700 | 40.99100 |
| Turkey lira | 2.30394 | 2.32564 | 2.35170 | 2.45920 |

The exchange rates used to translate the financial statements of foreign operations are those published by the Bank of Italy and by the Turkish central bank.

## 3. Changes in the scope of consolidation

### Discontinued operations

In 2012 the Group sold the following operations:

- May 31 the residual 51% of the capital of Afyon – Turkey, to third parties;
- June 26 the entire equity investment in Fuping Cement – China, to West China Cement against a reserved capital increase for an interest of approximately 6.25%.

The operations in question have therefore been accounted for in compliance with IFRS 5 "Non-current assets held for sale and discontinued operations", presenting separate items in the income statement and the statement of cash flows reflecting the earnings and the cash flows arising from the sale.
Also in compliance with IFRS 5, the amounts in the income statement and the statement of cash flows for 2011 have been restated accordingly.
To ensure clarity, the comparative information for 2011 on the face of the income statement and the statement of comprehensive income is presented both restated as required by IFRS 5 and as published in the 2011 consolidated financial statements .
Information relating to the discontinued operations is disclosed in note 32.

### Changes in the scope of consolidation

The main changes in 2012 were:

- the withdrawal of Silos Granari della Sicilia S.r.l. – Italy, after its sale to third parties on January 18, 2012;
- the sale of Afyon – Turkey, completed on May 31, 2012;
- the sale of Fuping Cement – China, completed on June 26, 2012;
- the sale to third parties of the entire 20% interest held in Sider Navi S.p.A. (an equity-accounted investee).

The most significant changes in 2011 were:

- consolidation of the Calcestruzzi group – Italy, from January 1, 2011.
  The Calcestruzzi group at December 31, 2011 consisted of the subsidiaries: Calcestruzzi S.p.A., Esa Monviso S.p.A. (consolidated), the associates: Mantovana Inerti S.r.l. and Ecoinerti S.r.l. (consolidated proportionately) and the associates: General Cave S.r.l., Safra S.r.l. and Commerciale Inerti S.r.l. (equity-accounted investees);
- the withdrawal of Set Group Holding – Turkey, and its subsidiaries: Set Cimento and Met Teknik Servis, after sale to third parties on March 25, 2011;
- the withdrawal of Bares and Italgen Elektrik – Turkey, after sale to third parties on March 31, 2011;
- the withdrawal after sale to third parties in December, of the companies of the Axim Group: six companies active in cement and concrete additives in Italy, France, USA, Canada, Morocco and Spain.

## 4. Operating segment disclosure

The table below shows the Group operating segments after the sale of Afyon (Turkey) and Fuping (China):

| |
|---|
| Italy |
| France-Belgium |
| Spain |
| Others Central Western Europe (C.W.E.) - Greece |
| North America |
| Egypt |
| Morocco |
| Others Emerging Europe, North Africa and Middle East (EE.NA.ME.) - Bulgaria, Kuwait and Saudi Arabia |
| Thailand |
| India |
| Others Asia - Kazakhstan |
| Cement and clinker trading |
| Other operations |

Cement & clinker trading includes cement and clinker marketing activities in countries where Group terminals are located: Gambia, Mauritania, Sri Lanka and Albania, as well as direct exports to markets not covered by Group subsidiaries.
The “Other operations” segment comprises the operations of the Ciments Français S.A. sub-holding, consisting essentially of provision of services to subsidiaries. It also includes liquid and solid fuel procurement operations for Group companies, the BravoSolution group in the e-business sector, Italcementi Finance S.A., other international holdings and other minor operations in Italy.

The Group management and organizational structure essentially reflects the operating segment structure. Finance income and costs, impairment losses on financial assets and income taxes are not allocated to the operating segments.
The Group business segments are:

- operations relating to the production and sale of cement/clinker,
- operations relating to construction materials: ready mixed concrete and aggregates,
- other operations such as: transport, engineering, e-business and energy.

The operating segments and business segments are organized and managed by country. The operating segments consist of the non-current assets of the individual entities located and operating in the countries indicated above; sales refer mainly to the local market, exports are generally with other Group entities; exports to external countries are conducted through the Group companies of the international Trading segment. Consequently the revenue of the entities in each operating segment, net of revenue within the Group, arises essentially in the areas in which the non-current assets are located.
The cement/clinker business delivers a portion of its production to the ready mixed concrete segment. The transfer prices applied to trading of goods and services among the segments are regulated on the basis of arm’s length transactions.
Consolidated cement/clinker revenue is present in all the operating segments with the exception of “Other operations”, which consists largely of fuel sales and e-business revenue.
Consolidated ready mixed concrete and aggregates revenue is present in almost all the operating segments with the exception of: Bulgaria and India.
Revenue of other operations refers mainly to e-business revenue and energy revenue in the Italy segment and fuel sales.

With regard to dependence on the main Group customers, no single customer accounts for more than 10% of consolidated revenue.

## Operating segments

The table below sets out segment revenue and results for 2012:

| (in thousands of euro) | Revenue | Intragroup sales | Contributive revenue | Recurring EBITDA | EBITDA | EBIT | Financial income (costs) exch.rate differences and derivs | Impairment on financial assets | Share of profit (loss) of equity accounted investees | Profit before tax | Income tax expense |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 799,951 | (60,725) | 739,226 | (25,193) | (40,838) | (171,622) | | | (195) | | |
| France-Belgium | 1,501,706 | (7,942) | 1,493,764 | 262,809 | 264,059 | 168,953 | | | (317) | | |
| Spain | 111,301 | (32,319) | 78,982 | (1,188) | (4,328) | (177,372) | | | - | | |
| Others C.W.E. | 28,355 | (7,891) | 20,464 | (4,029) | (4,037) | (43,541) | | | (4,022) | | |
| Eliminations | (23,387) | 23,387 | - | - | - | - | | | - | | |
| **C.W.E.** | **2,417,926** | **(85,490)** | **2,332,436** | **232,399** | **214,856** | **(223,582)** | | | **(4,534)** | | |
| **N.America** | **439,544** | **(456)** | **439,088** | **44,539** | **51,339** | **(16,324)** | | | **10,452** | | |
| Egypt | 563,857 | (46,956) | 516,901 | 126,949 | 127,085 | (24,196) | | | 525 | | |
| Morocco | 325,362 | (2,386) | 322,976 | 137,392 | 137,773 | 100,627 | | | 5,125 | | |
| EE.NA.ME | 119,475 | (8,708) | 110,767 | 22,874 | 22,989 | 12,178 | | | (2) | | |
| Eliminations | - | - | - | - | - | - | | | - | | |
| **EE.NA.ME.** | **1,008,694** | **(58,050)** | **950,644** | **287,215** | **287,847** | **88,609** | | | **5,648** | | |
| Thailand | 227,937 | (653) | 227,284 | 30,014 | 29,820 | 5,334 | | | - | | |
| India | 248,565 | - | 248,565 | 51,843 | 51,229 | 32,332 | | | - | | |
| Others Asia | 44,433 | - | 44,433 | 3,504 | 3,461 | (2,894) | | | - | | |
| Eliminations | - | - | - | - | - | - | | | - | | |
| **Asia** | **520,935** | **(653)** | **520,282** | **85,361** | **84,510** | **34,772** | | | **-** | | |
| **Cement and clinker trading** | **212,957** | **(48,492)** | **164,465** | **8,901** | **8,743** | **5,599** | | | **(459)** | | |
| **Other ops.** | **342,210** | **(269,034)** | **73,176** | **(25,533)** | **(31,968)** | **(39,627)** | | | **1** | | |
| Unallocated items | - | - | - | - | | - | (84,470) | - | - | (224,224) | (146,168) |
| Eliminations | (462,175) | 462,175 | - | (467) | (453) | (309) | | | - | | |
| **Total** | **4,480,091** | **-** | **4,480,091** | **632,415** | **614,874** | **(150,862)** | **(84,470)** | **-** | **11,108** | **(224,224)** | **(146,168)** |

The table below sets out segment revenue and results for 2011:

| (in thousands of euro) | Revenue | Intragroup sales | Contributive revenue | Recurring EBITDA | EBITDA | EBIT | Finance income (costs) exch.rate differences and derivs | Impairment on financial assets | Share of profit (loss) of equity accounted investees | Profit before tax | Income tax expense |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | 918,060 | (59,439) | 858,621 | (12,601) | 10,443 | (142,448) | | | (1,534) | | |
| France-Belgium | 1,589,687 | (10,984) | 1,578,703 | 302,780 | 313,741 | 215,563 | | | (221) | | |
| Spain | 155,440 | (33,564) | 121,876 | 18,494 | 17,579 | (58,218) | | | - | | |
| Others C.W.E. | 41,786 | (4,705) | 37,081 | (1,571) | (1,440) | (18,969) | | | 155 | | |
| Eliminations | (24,208) | 24,208 | - | - | - | - | | | - | | |
| **C.W.E.** | **2,680,765** | **(84,484)** | **2,596,281** | **307,102** | **340,323** | **(4,072)** | | | **(1,600)** | | |
| **N.America** | **405,111** | **(446)** | **404,665** | **16,345** | **22,970** | **(45,363)** | | | **12,772** | | |
| Egypt | 551,832 | (16,543) | 535,289 | 129,642 | 129,618 | 63,192 | | | 644 | | |
| Morocco | 353,164 | (2,547) | 350,617 | 152,176 | 153,187 | 115,687 | | | 7,904 | | |
| EE.NA.ME | 105,355 | (1,869) | 103,486 | 36,536 | 36,689 | 17,435 | | | (32) | | |
| Eliminations | (239) | 239 | - | - | - | - | | | - | | |
| **EE.NA.ME.** | **1,010,112** | **(20,720)** | **989,392** | **318,354** | **319,494** | **196,314** | | | **8,516** | | |
| Thailand | 194,142 | - | 194,142 | 23,538 | 24,542 | 8,018 | | | - | | |
| India | 223,475 | (1,453) | 222,022 | 57,229 | 57,218 | 38,732 | | | - | | |
| Others Asia | 38,701 | - | 38,701 | 3,088 | 3,121 | (1,971) | | | - | | |
| Eliminations | - | - | - | - | - | - | | | - | | |
| **Asia** | **456,318** | **(1,453)** | **454,865** | **83,855** | **84,881** | **44,779** | | | **-** | | |
| **Cement and clinker trading** | **183,423** | **(44,774)** | **138,649** | **10,649** | **10,655** | **6,820** | | | **(1,050)** | | |
| **Other ops.** | **423,861** | **(350,342)** | **73,519** | **(33,780)** | **(34,980)** | **(58,141)** | | | **-** | | |
| Unallocated items | - | - | - | - | - | - | (99,567) | 7,524 | - | 65,455 | (69,071) |
| Eliminations | (502,219) | 502,219 | - | (1,442) | (1,476) | (1,477) | | | - | | |
| **Total** | **4,657,371** | **-** | **4,657,371** | **701,083** | **741,867** | **138,860** | **(99,567)** | **7,524** | **18,638** | **65,455** | **(69,071)** |

The table below sets out other segment data at December 31, 2012:

| (in thousands of euro) | December 31, 2012<br>Operating assets | Operating liabilities | Equity accounted investees | Depreciation PPE and investment property and amortization intangible assets | Impairment |
|---|---|---|---|---|---|
| Italy | 1,379,539 | 397,052 | 5,474 | (98,621) | (32,163) |
| France-Belgium | 1,894,886 | 487,829 | 6,856 | (93,671) | (1,436) |
| Spain | 273,448 | 36,030 | - | (15,976) | (157,068) |
| Others C.W.E. | 43,421 | 12,734 | 56,985 | (4,539) | (34,964) |
| Eliminations | (4,228) | (4,164) | - | - | - |
| **C.W.E.** | **3,587,066** | **929,481** | **69,315** | **(212,807)** | **(225,631)** |
| **N.America** | **1,057,101** | **129,825** | **93,632** | **(67,663)** | **-** |
| Egypt | 1,043,844 | 192,605 | 4,620 | (67,539) | (83,742) |
| Morocco | 627,758 | 88,370 | 38,041 | (37,145) | - |
| Others EE.NA.ME | 265,912 | 24,639 | 1,275 | (10,812) | - |
| Eliminations | (11) | (11) | - | - | - |
| **EE.NA.ME.** | **1,937,503** | **305,603** | **43,936** | **(115,496)** | **(83,742)** |
| Thailand | 356,942 | 44,003 | - | (24,508) | 21 |
| India | 444,558 | 80,621 | - | (18,897) | - |
| Others Asia | 43,266 | 5,620 | - | (6,355) | - |
| Eliminations | - | - | - | - | - |
| **Asia** | **844,766** | **130,244** | **-** | **(49,760)** | **21** |
| **Cement and clinker trading** | **71,474** | **30,992** | **605** | **(3,144)** | **-** |
| **Other ops.** | **141,883** | **145,349** | **-** | **(7,657)** | **(2)** |
| Unallocated items | - | - | - | | - |
| Eliminations | (94,237) | (97,158) | - | 145 | - |
| **Total** | **7,545,556** | **1,574,336** | **207,488** | **(456,382)** | **(309,354)** |

The table below sets out other segment data at December 31, 2011:

| (in thousands of euro) | December 31, 2011<br>Operating assets | Operating liabilities | Equity accounted investees | Depreciation PPE and investment property and amortization intangible assets | Impairment |
|---|---|---|---|---|---|
| Italy | 1,506,212 | 406,230 | 5,750 | (110,547) | (42,344) |
| France-Belgium | 1,967,922 | 514,483 | 7,612 | (96,398) | (1,781) |
| Spain | 458,459 | 41,865 | - | (18,956) | (56,841) |
| Others C.W.E. | 76,013 | 12,156 | 61,223 | (4,507) | (13,022) |
| Eliminations | (4,603) | (4,588) | - | - | - |
| **C.W.E.** | **4,004,003** | **970,146** | **74,585** | **(230,408)** | **(113,988)** |
| **N.America** | **1,099,162** | **122,417** | **91,971** | **(64,769)** | **(3,564)** |
| Egypt | 1,264,346 | 222,849 | 5,127 | (66,426) | - |
| Morocco | 630,262 | 95,878 | 40,717 | (37,501) | - |
| Others EE.NA.ME | 305,901 | 24,927 | 1,279 | (13,572) | (5,681) |
| Eliminations | (23) | (23) | - | - | - |
| **EE.NA.ME.** | **2,200,486** | **343,631** | **47,123** | **(117,499)** | **(5,681)** |
| Thailand | 344,259 | 37,924 | - | (22,812) | 6,288 |
| India | 448,525 | 76,919 | - | (18,486) | - |
| Others Asia | 122,787 | 12,984 | - | (5,093) | - |
| Eliminations | - | - | - | - | - |
| **Asia** | **915,571** | **127,827** | **-** | **(46,391)** | **6,288** |
| **Cement and clinker trading** | **79,062** | **30,485** | **3,063** | **(2,734)** | **(1,101)** |
| **Other ops.** | **147,788** | **162,359** | **-** | **(6,926)** | **(16,234)** |
| Unallocated items | - | - | - | - | - |
| Eliminations | (123,569) | (127,472) | - | - | - |
| **Total** | **8,322,503** | **1,629,393** | **216,742** | **(468,727)** | **(134,280)** |

Operating assets and liabilities include all current and non-current assets and liabilities with the exception of tax and financial assets and liabilities.

The table below sets out revenue and recurring EBITDA for "Other countries":

| | Revenue | | Recurring EBITDA | |
|---|---|---|---|---|
| (in thousands of euro) | 2012 | 2011 | 2012 | 2011 |
| Greece | 28,355 | 41,786 | (4,029) | (1,571) |
| **Others C.W.E.** | **28,355** | **41,786** | **(4,029)** | **(1,571)** |
| Bulgaria | 59,709 | 51,515 | 17,798 | 29,962 |
| Kuwait | 55,956 | 50,799 | 4,533 | 6,245 |
| Saudi Arabia | 3,810 | 3,041 | 543 | 420 |
| Others | - | - | - | (91) |
| **Others EE.NA.ME.** | **119,475** | **105,355** | **22,874** | **36,536** |
| Kazakhstan | 44,433 | 38,701 | 3,504 | 3,088 |
| **Others Asia** | **44,433** | **38,701** | **3,504** | **3,088** |
| **Total** | **192,263** | **185,842** | **22,349** | **38,053** |

# Assets

## 5. Property, plant and equipment and Investment property

### 5.1 Property, plant and equipment

| (In thousands of euro) | Land and buildings | Quarries | Technical plant materials and equipment | Other PPE and assets under construction | Total |
|---|---|---|---|---|---|
| **Net carrying amount at Dec. 31, 11** | **1,048,135** | **375,485** | **2,486,075** | **537,627** | **4,447,322** |
| Gross amount | 2,235,135 | 626,028 | 7,737,796 | 924,743 | 11,523,702 |
| Accumulated depreciation | (1,187,000) | (250,543) | (5,251,721) | (387,116) | (7,076,380) |
| **Net carrying amount at Dec. 31, 11** | **1,048,135** | **375,485** | **2,486,075** | **537,627** | **4,447,322** |
| Additions | 57,150 | 15,354 | 135,981 | 122,376 | 330,861 |
| Change in scope of consolidation, reclassifications, other | (18,839) | (955) | 50,155 | (116,753) | (86,392) |
| Depreciation and impairment | (67,684) | (13,534) | (388,550) | (35,850) | (505,618) |
| Translation differences | (17,116) | (553) | (35,182) | (12,233) | (65,084) |
| **Net carrying amount at Dec. 31, 12** | **1,001,646** | **375,797** | **2,248,479** | **495,167** | **4,121,089** |
| Gross amount | 2,160,728 | 614,021 | 7,636,290 | 886,158 | 11,297,197 |
| Accumulated depreciation | (1,159,082) | (238,224) | (5,387,811) | (390,991) | (7,176,108) |
| **Net carrying amount at Dec. 31, 12** | **1,001,646** | **375,797** | **2,248,479** | **495,167** | **4,121,089** |

Additions were mainly in France-Belgium, Italy, Egypt and India.

"Change in scope of consolidation, reclassifications, other" comprises the sold assets of Afyon and Fuping for a total of 73.5 million euro, and the reclassification under "Investment property" of 6.7 million euro.

"Depreciation and impairment" includes net impairment losses on assets arising of 64.2 million euro (36.3 million euro in 2011 of which 27.5 million euro relating to production plants in Italy) and relating primarily to Greece for 35 million euro and Italy for 28.2 million euro, of which 27.4 million euro for the transformation of the Vibo Valentia and Porto Empedocle cement plants into grinding centers and plans to terminate clinker production at the Trieste, Monselice and Broni cement plants.

Non-current assets held under finance leases and rental contracts were carried at a net amount of 28.4 million euro at December 31, 2012 (27.8 million euro at December 31, 2011). They consist of plant and machinery for 25.9 million euro and buildings for 2.5 million euro.

Expenses included under "Property, plant and equipment" amounted to 28.9 million euro at December 31, 2012 (28.9 million euro at December 31, 2011).

Capitalized finance costs amounted to 1.3 million euro in 2012 (0.7 million euro in 2011).

Non-current assets pledged as security for bank loans were carried at 207.2 million euro at December 31, 2012 (195.8 million euro at December 31, 2011).

The useful life adopted by the Group for the main asset categories is as follows:

| | |
|---|---|
| Civil and industrial buildings | 10 – 33 years |
| Plant and machinery | 5 – 30 years |
| Other property, plant and equipment | 3 – 10 years |

The range between the above minimum and maximum limits indicates the presence of components with separate useful lives within each asset category.

## 5.2 Investment property

| (in thousands of euro) | |
|---|---|
| **Net carrying amount at Dec. 31, 11** | **23,457** |
| Gross amount | 46,841 |
| Accumulated depreciation | (23,384) |
| **Net carrying amount at Dec. 31, 11** | **23,457** |
| Additions | 361 |
| Disposals | (339) |
| Depreciation and impairment | (915) |
| Translation differences | (1) |
| Reclassifications | 6,706 |
| **Net carrying amount at Dec. 31, 12** | **29,269** |
| Gross amount | 88,478 |
| Accumulated depreciation | (59,209) |
| **Net carrying amount at Dec. 31, 12** | **29,269** |

Investment property is recognized at cost net of depreciation; fair value at December 31, 2012 was 106.6 million euro (114 million euro at December 31, 2011).
Reclassifications related to sites sold in Italy, including the Pontassieve industrial site with buildings held under a lease.

## 6. Goodwill

| (in thousands of euro) | |
|---|---|
| **Net carrying amount at Dec. 31, 11** | **1,919,288** |
| Sales and changes in scope of consolidation | (13,593) |
| Impairment | (243,955) |
| Translation differences | (63,053) |
| **Net carrying amount at Dec. 31, 12** | **1,598,687** |

The material reduction in goodwill arose mainly from impairment losses as a result of impairment testing and from translation differences generated by the depreciation of some currencies against the euro; for impairment losses and goodwill on CGUs by country see note 6.1.

“Sales and changes in scope of consolidation” refers mainly to goodwill at Fuping and Afyon.

## 6.1 Goodwill impairment testing

Goodwill acquired in business combinations is allocated to the cash-generating units (CGUs). The Group tests goodwill recoverability at least once a year or more frequently if indications of impairment emerge. The methods used to determine the recoverable amount of CGUs are described in the basis of consolidation under the section "Impairment" (note 1.11).

The recovery slowdown that was apparent in 2011 intensified in 2012, especially in the construction industry; consequently, while the measures contemplated in the 2010-2014 Business Plan remain valid, a number of macroeconomic and sector assumptions in the Plan have been revised. For the purposes of impairment testing, determination of the future cash flows to be used was based on the 2013 Budget and, where necessary for subsequent-year projections, on new assumptions and economic assessments deemed to reflect the new conditions on the Group markets.

As in 2011, for the CGUs in the EU countries and North America, a 9-year explicit forecast period was used; in this way we believe that projected cement consumption is structurally balanced and aligned with the related long-term estimate implicit in the cement structural demand curve for each country.

The CGUs in the emerging countries are also subject in part to a change in cyclical patterns compared with the recent past, but cement consumption is more likely to be influenced by exogenous factors relating to specific macroeconomic events; testing was based on expected growth in cement demand over a five-year period. Terminal value is generally estimated on the basis of CGU activity on the mid-cycle market and takes account of the market cycle and the changes in the country in question after the explicit forecast period. For a number of countries severely hit by the crisis like Greece, Italy and Spain, account was also taken of the presumed expected level of cement consumption in 10-15 years, and also of a number of positioning indicators: the level of market development, per-capita consumption and technical coefficients.

The projections are management's best estimate of future trends and possible economic conditions in the countries in which the Group operates.

For all CGUs, recoverable value coincides with value in use.

The discount rates, determined country by country, are obtained by applying the estimated long-term inflation rate (source: Global Insight databank), adjusted in some cases with the country-risk premium (based on Moody's ratings) to the weighted average cost of capital (WACC). WACCs are computed on the basis of the market value of own funds (risk-free rate based on 10-year government bonds in the euro zone and the USA – source Bloomberg, average 12 months – except Greece – average 3 months; beta coefficient - average 5 years - source Bloomberg; market premium – average at 10 years – source Bloomberg, broker reports, analyst consensus forecasting) and of sector debt (7Y swap – average 1 month), to which the mean sector coefficient based on the debt/stock market capitalization ratio is applied (source Bloomberg).

Assumptions used for the computation for the CGUs in the main countries:

| (in %) | Discount rate before tax | | Growth rate including inflation | |
|---|---|---|---|---|
| Cash-generating units by country | 2012 | 2011 | 2012 | 2011 |
| Italy | 8.8 | 8.9 | 2.0 | 2.0 |
| France/Belgium | 8.3 | 9.4 | 2.0 | 2.0 |
| Spain | 8.8 | 9.3 | 1.9 | 2.0 |
| Greece | 13.5 | 14.0 | 1.6 | 2.0 |
| North America | 7.3 | 7.7 | 1.8 | 1.8 |
| Egypt | 15.8 | 13.2 | 5.4 | 5.0 |
| Morocco | 9.6 | 10.7 | 1.5 | 2.5 |
| Kuwait | 7.0 | 9.8 | 1.9 | 3.5 |
| Thailand | 9.4 | 10.6 | 3.0 | 3.5 |
| India | 14.6 | 14.5 | 6.3 | 6.3 |

Goodwill impairment testing for 2012 generated a goodwill impairment loss of 156.2 million euro for Spain, 83.7 million euro for Egypt and 4.0 million euro for the Calcestruzzi group. The Group considered the specific potential risks of the sector of activity, any market values on the basis of comparable transactions and conducted a sensitivity analysis on recoverable amount, illustrated in the next section.

The table below sets out the most significant goodwill amounts for Group CGUs by country:

| (in thousands of euro) | Net carrying amount of goodwill | |
|---|---|---|
| Cash-generating units | December 31, 2012 | December 31, 2011 |
| Italy | 27,665 | 31,664 |
| France/Belgium | 586,855 | 587,244 |
| Spain | 14,132 | 171,086 |
| North America | 141,149 | 144,728 |
| Egypt | 456,472 | 583,980 |
| Morocco | 108,041 | 108,327 |
| Kuwait | 16,007 | 29,277 |
| Thailand | 89,914 | 88,502 |
| India | 83,339 | 88,004 |
| Bulgaria | 59,774 | 59,774 |
| Others | 15,339 | 26,702 |
| **Total** | **1,598,687** | **1,919,288** |

Finally, since the Italcementi Group has assets and costs not allocated to individual CGUs, a second-level impairment test was conducted to check recoverability for the Group as a whole. The test included all assets and cash flows that cannot be specifically allocated to an individual CGU and are therefore included in the second-level impairment test. No indications of impairment emerged from the test.

## Market capitalization

Like most of the listed companies in the mature countries, during the year Italcementi S.p.A. recorded a material reduction in market capitalization with respect to 2011.

Equally, the results of the impairment tests conducted at December 31, 2012 found a significant reduction in the Group's aggregate recoverability compared with the tests conducted in 2011; the decrease in recoverability was, however, smaller than the contraction in market capitalization.

The impairment tests take account of the long-term expectations in cement consumption that can be assumed from the structural demand curve and, for this reason, are less influenced overall by short-term changes. Short-term changes, on the other hand, correspond to the timeframe now typically adopted by many investors and, together with the volatility in risk propensity levels, have an incisive influence on share prices, which are particularly sensitive during periods of high financial unease.

We therefore believe that the difference in relative evolution found in the two valuations, which in any case is consistent as indication of a trend, can be considered normal.

## Sensitivity analysis

With reference to the current and expected industry situation and to the results of the 2012 impairment tests, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.

At December 31, 2012 a 1% increment in the weighted average cost of capital would determine a surplus difference in carrying amount with respect to recoverable amount for the following CGUs: Egypt 61.1 million euro, Spain 35.4 million euro and Greece 4.3 million euro.

A 5% reduction in demand in the explicit forecast period with respect to the projections would determine a surplus difference in carrying amount with respect to recoverable amount for the following CGUs: Egypt 23.1 million euro, Spain 10.6 million euro and Greece 3.1 million euro.

A 5% reduction in expected cash flows with respect to projections would determine a surplus difference in carrying amount with respect to recoverable amount for the following CGUs: Egypt 27.4 million euro, Spain 9.5 million euro and Greece 2.2 million euro.

On the basis of this analysis, the Group deems it unnecessary to reduce the goodwill of the CGUs in question. The discount rates before tax that equate the CGUs' recoverable amount with net carrying amount for the countries at greatest impairment risk are: North America 9.7%, Kuwait 9.8%, Italy 10.1%, Bulgaria 12.6%, Kazakhstan 13.7%, Thailand 15.4% and India 19.7%.

## 7. Intangible assets

| in thousands of euro) | Patents, IT development | Concessions and other | Total |
|---|---|---|---|
| **Net carrying amount at December 31, 2011** | **31,608** | **66,475** | **98,083** |
| Gross amount | 127,503 | 88,960 | 216,463 |
| Accumulated amortization | (95,895) | (22,485) | (118,380) |
| **Net carrying amount at December 31, 2011** | **31,608** | **66,475** | **98,083** |
| Additions | 5,906 | 10,590 | 16,496 |
| Sales | (338) | - | (338) |
| Amortization and impairment | (11,636) | (3,612) | (15,248) |
| Translation differences | (136) | (683) | (819) |
| Reclassifications and others | 6,377 | (6,743) | (366) |
| **Net carrying amount at December 31, 2012** | **31,781** | **66,027** | **97,808** |
| Gross amount | 138,122 | 93,232 | 231,354 |
| Accumulated amortization | (106,341) | (27,205) | (133,546) |
| **Net carrying amount at December 31, 2012** | **31,781** | **66,027** | **97,808** |

The year’s additions refer essentially to project development work for the standardization of internal Group processes.
Expenses recognized under intangible assets for IT development at December 31, 2012 amounted to 3.3 million euro.
“Concessions” are amortized over the life of the conventions in question; amortization of quarrying concessions is determined at rates reflecting the ratio of extracted material to total to be extracted.

## 8. Equity accounted investees

This caption reflects equity accounted investees, including goodwill of 31.6 million euro at December 31, 2012 (34.4 million euro at December 31, 2011).

The main equity accounted investees and share of profit (loss) are shown below:

| | Carrying amount | | Share of profit (loss) | |
|---|---|---|---|---|
| In millions of euro) | December 31, 2012 | December 31, 2011 | 2012 | 2011 |
| Ciment Québec (Canada) | 93.6 | 92.0 | 7.7 | 10.4 |
| Vassiliko Cement Works (Cyprus) | 57.0 | 61.2 | (4.0) | 0.2 |
| Asment Cement (Morocco) | 38.0 | 40.7 | 5.1 | 7.9 |
| Tecno Gravel (Egypt) | 4.6 | 5.1 | 0.5 | 0.6 |
| Acquitaine de transformation (France) | 4.2 | 4.1 | - | - |
| Others | 10.1 | 13.6 | 1.8 | (0.5) |
| **Total** | **207.5** | **216.7** | **11.1** | **18.6** |

Tests on goodwill recoverability generated an impairment loss at Vassilko for 2.5 million euro.

Amounts for the main equity-accounted investees, adjusted for compliance with Group policies, are set out below:

| | Total assets | | Total liabilities | | Revenue | | Profit (loss) for period | |
|---|---|---|---|---|---|---|---|---|
| (in millions of euro) | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Ciment Québec (Canada) | 211.5 | 210.9 | 35.9 | 38.9 | 149.1 | 139.4 | 15.3 | 19.9 |
| Vassiliko Cement Works (Cyprus) | 352.8 | 351.4 | 121.7 | 130.7 | 69.5 | 90.3 | (6.2) | 0.6 |
| Asment (Morocco) | 105.5 | 114.0 | 27.1 | 28.4 | 92.8 | 98.0 | 15.0 | 21.4 |

## 9. Other equity investments

Other equity investments reflects equity investments in the "available-for-sale" category as required by IAS 39.

| (in thousands of euro) | |
|---|---|
| **At December 31, 2011** | **88,246** |
| Acquisitions | 44,082 |
| Sales | (26,417) |
| Changes in fair value taken to equity reserve | (23,808) |
| Translation differences | (86) |
| Measurement losses and other | (1,921) |
| **At December 31, 2012** | **80,096** |

"Acquisitions" relates mainly to the equity investment of approximately 6.25% in West China Cement for 44.0 million euro, the value of the company listed in Hong Kong was 42.9 million euro at December 31, 2012.

"Sales" relates mainly to the sale of the entire interest in Goltas Cimento – Turkey, whose proceeds of 45.7 million euro generated a net gain of 25.6 million euro recognized under finance income and the withdrawal from the Group of the interest in Fuping in Shifeng for 5.8 million euro.

The main changes in fair value taken to equity reserve refer to the sale of Goltas shares for 14.9 million euro, impairment losses on the investments in Al Badia Cement – Syria for 7.7 million euro and West China Cement for 1.1 million euro.

Other equity investments at December 31, 2012 were as follows:

| (in thousands of euro) | % share of total capital | 31 December, 2012 |
|---|---|---|
| **Equity investments in listed companies** | | |
| West China Cement - China | 6.25 | 42,914 |
| **Equity investments in non-listed companies** | | **37,182** |
| **Total** | | **80,096** |

The fair value of listed companies is determined on the basis of the official share price on the last accounting day.
A variety of methods was used to measure investments in non-listed companies, depending on their characteristics and available data, in compliance with IAS 39.
Investments in non-listed companies include: Al Badia Cement – Syria, for 10.5 million euro and Yuzhno-Kyrgysky Cement – Kyrgyzstan for 5.0 million euro.

## 10. Other non-current assets

This caption reflects:

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Derivatives | 126,789 | 104,815 |
| Concessions and licenses paid in advance | 148 | 162 |
| Non-current receivables | 127,067 | 137,420 |
| Deposits | 35,123 | 34,457 |
| Securities and bonds | 17,166 | 11,828 |
| Pension plan assets | 1,228 | 501 |
| **Total** | **307,521** | **289,183** |

Derivatives are discussed in note 22.3.1 Derivatives.
"Non-current receivables" includes receivables of 89.1 million euro (115.4 million euro at December 31, 2011) due from the parent Italmobiliare S.p.A. to the Italian Group companies that elected tax consolidation; the decrease is largely due to the impairment loss on receivables posted by Calcestruzzi S.p.A. for 20.8 million euro.

## 11. Inventories

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Raw materials, consumables and supplies | 394,209 | 441,259 |
| Work in progress and semifinished goods | 162,369 | 153,494 |
| Finished goods | 125,352 | 124,700 |
| Payments on account | 17,790 | 21,538 |
| **Total** | **699,720** | **740,991** |

Inventories are carried net of allowances of 95.9 million euro (102.7 million euro at December 31, 2011) set aside mainly against the risk of slow-moving supplies, spare parts and consumables. Spare parts at December 31, 2012 were carried at 163.3 million euro (188.6 million euro at December 31, 2011).

## 12. Trade receivables

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Gross amount | 842,426 | 952,945 |
| Allowance for doubtful accounts | (97,847) | (95,618) |
| **Net amount** | **744,579** | **857,327** |

At the end of December 2012 receivables factored without recourse amounted to 192.9 million euro (138.4 million euro at December 31, 2011).
The factoring contracts arranged in December 2011 by Ciments Calcia and Unibeton for five years were revoked in the first quarter of 2013. At December 31, 2012 the two companies' factored receivables totaled 121.5 million euro (133.5 million euro at December 31, 2011); the risk of approximately 90% of the factored amount is transferred when receivables are factored.

After this transaction, the statement of financial position continued to reflect:

- subordinate additional deposits for 23.9 million euro (24.8 million euro at December 31, 2011) under other current assets;
- the portion of receivables, in the form of arranged guarantees for 10.1 million euro under trade receivables, with balancing entries of 8.2 million euro in bank loans and borrowings and 2.0 million euro against miscellaneous receivables.

In December 2012, some French and Belgian Group companies arranged an international factoring program for five years; initially the program envisages an amount of 70 million euro to be raised to 160 million euro by the end of March 2013.
At December 31, 2012 factored receivables amounted to 69.5 million euro and, in compliance with IAS 39, contractually 100% of risk was transferred.
Receivables factored as guarantees and still reflected on the face of the statement of financial position at December 31, 2012 totaled 16.1 million euro.

At December 31, 2012 Calcestruzzi S.p.A. had factored receivables for 1.9 million euro (4.9 million euro at December 31, 2011).

## 13. Other current assets including derivatives

This caption reflects:

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Receivables from tax and social security authorities | 86,546 | 93,444 |
| Receivables from the sale of non-current assets | 1,098 | 3,014 |
| Concessions and licenses paid in advance | 41,591 | 34,895 |
| Derivatives | 29,665 | 28,636 |
| Other | 159,049 | 135,282 |
| **Total** | **317,949** | **295,271** |

Derivatives are discussed in note 22.3.1 Derivatives.

## 14. Share capital and Share premium

### 14.1 Share capital

At December 31, 2012 the parent's fully paid-up share capital amounted to 282,548,942 euro represented by 282,548,942 shares with a par value of 1 euro each, as follows:

| Number of shares | December 31, 2012 | December 31, 2011 | Change |
|---|---|---|---|
| Ordinary shares | 177,117,564 | 177,117,564 | - |
| Savings shares | 105,431,378 | 105,431,378 | - |
| **Total** | **282,548,942** | **282,548,942** | **-** |

### 14.2 Share premium

Share premium amounted to 344,104 thousand euro, unchanged from December 31, 2011.

## 15. Reserves

### Translation reserve

This reserve reflects differences on the translation of the financial statements of consolidated foreign operations. At December 31, 2012 it reflected a negative amount of 47.4 million euro (a positive balance of 6.3 million euro at December 31, 2011) referring to the following currencies:

| (in millions of euro) | December 31, 2012 | December 31, 2011 | Change |
|---|---|---|---|
| Egypt (Pound) | (68.7) | (34.9) | (33.8) |
| USA and Canada (Dollar) | 16.2 | 19.8 | (3.6) |
| Thailand (Baht) | 39.6 | 36.4 | 3.2 |
| Morocco (Dirham) | 0.3 | 1.5 | (1.2) |
| India (Rupee) | (41.9) | (28.8) | (13.1) |
| Turkey (Lira) | (0.2) | (5.3) | 5.1 |
| Other countries | 7.4 | 17.6 | (10.2) |
| **Total** | **(47.3)** | **6.3** | **(53.6)** |

## 16. Treasury shares

At December 31, 2012 the carrying amount of Italcementi S.p.A. treasury shares was 58,690 thousand euro, reflected in the treasury share reserve. No movements took place in the reserve during the year:

| | N° ordinary shares par value 1 € | Aggregate carrying amount (000 euro) | N° savings shares par value 1 € | Aggregate carrying amount (000 euro) | Total carrying amount (000 euro) |
|---|---|---|---|---|---|
| **December 31, 2011** | **3,793,029** | **58,342** | **105,500** | **348** | **58,690** |
| Additions | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| **December 31, 2012** | **3,793,029** | **58,342** | **105,500** | **348** | **58,690** |

## 17. Retained earnings, dividends paid

Dividends declared by the parent Italcementi S.p.A in 2012 and 2011 are detailed below:

| | 2012 (euro per share) | 2011 (euro per share) | Dec.31, 2012 (000 euro) | Dec.31, 2011 (000 euro) |
|---|---|---|---|---|
| Ordinary shares | 0.120 | 0.120 | 20,799 | 20,799 |
| Savings shares | 0.186478 | 0.120 | 19,641 | 12,639 |
| **Total dividends** | | | **40,440** | **33,438** |

Dividends paid in 2012 amounted to 40,434 thousand euro (33,433 thousand euro in 2011).

## 18. Non-controlling interests

Equity attributable to non-controlling interests at December 31, 2012 stood at 1,273.1 million euro, down by 126.9 million euro from December 31, 2011.
In 2012 profit for the year attributable to non-controlling interests decreased by 60.9 million euro, from 94.3 million euro in 2011 to 33.4 million euro in 2012; the translation reserve, negative of 52.3 million euro, decreased by 39.3 million euro, as a result of the performance of the euro against the currencies in countries with large non-controlling interests including Egypt.

## 19. Employee benefits

Employee benefits at December 31, 2012 amounted to 232,821 thousand euro (202,955 thousand euro at December 31, 2011).
The Group's main employee benefit plans are described below.

### Defined benefit plans

The Group operates pension plans, post-employment medical benefit plans and post-employment benefit plans.

The most important pension plans are in the USA and France; they are financed by contributions paid by the company and by employees to external entities responsible for the administration and management of the pension funds; early retirement schemes also operate, pursuant to local laws, in France and Belgium.
With regard to the post-employment benefits for staff of the Group's Italian companies, liabilities in respect of post-employment benefits accrued and optioned by employees as from 2007 no longer qualify as defined benefit plans. They are treated as quotas of defined contribution plans.
Some Group companies in the USA operate plans providing post-employment medical and life insurance benefits. In France and, to a lesser extent, in Belgium similar benefits are provided for certain classes of workers, specifically the companies pay a portion of contributions to the insurance company, which then reimburses workers, after retirement, for a portion of medical expenses.
In some companies in France and Italy, the Group also recognizes liabilities in respect of future commitments, in the form of bonuses payable to employees on the basis of length of service; these liabilities are measured with actuarial assumptions. Net liabilities for pension plans and post-employment benefit plans are determined with actuarial calculations performed by independent external actuaries.

Net liabilities determined on the basis of actuarial calculations at December 31, 2012:

| (in millions of euro) | Pension plans and other long-term benefits | | Post-employment medical benefits | | Total | |
|---|---|---|---|---|---|---|
| | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31, 11 |
| Discounted value of funded plans | 158.2 | 148.9 | - | - | 158.2 | 148.9 |
| Fair value of plan assets | (93.6) | (88.1) | - | - | (93.6) | (88.1) |
| **Discounted net value of funded plans** | **64.6** | **60.8** | - | - | **64.6** | **60.8** |
| Discounted value of non-funded plans | 83.3 | 66.9 | 100.9 | 91.0 | 184.2 | 157.9 |
| **Net value of obligation** | **147.9** | **127.7** | **100.9** | **91.0** | **248.8** | **218.7** |
| Unrecognized actuarial gains/(losses) | (68.7) | (51.3) | (21.9) | (12.2) | (90.6) | (63.5) |
| Unrecognized costs past service | (1.1) | (1.3) | (1.2) | (0.7) | (2.3) | (2.0) |
| **Net liabilities** | **78.1** | **75.0** | **77.8** | **78.2** | **155.9** | **153.2** |
| of which: | | | | | | |
| Liabilities | 79.3 | 75.4 | 77.8 | 78.2 | 157.1 | 153.6 |
| Asssets | 1.2 | 0.4 | - | - | 1.2 | 0.4 |
| **Net (assets)/liabilities** | **78.1** | **75.0** | **77.8** | **78.2** | **155.9** | **153.2** |

With reference to “post-employment medical benefits”, a change of +/- 1 percentage point in the rates relating to changes in medical expenditure would generate changes of +4.3 and -3.5 million euro respectively in liabilities on the statement of financial position, and +0.3 and -0.2 million euro respectively in related expense.

The movements in net liabilities during the year are analyzed below:

| (in millions of euro) | Pension plans and other long-term benefits | | Post-employment medical benefits | | Total | |
|---|---|---|---|---|---|---|
| | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31,11 |
| **Opening net liabilities** | **75.0** | **83.5** | **78.2** | **75.5** | **153.2** | **159.0** |
| Pension costs | 12.9 | 10.8 | 4.5 | 5.2 | 17.3 | 16.0 |
| Contributions or services paid | (16.6) | (14.4) | (4.1) | (3.6) | (20.7) | (18.1) |
| Translation differences | (0.1) | (0.2) | (0.7) | 1.3 | (0.8) | 1.1 |
| Plans acquired/(sold)on changes in scope of consolidation and other changes | 6.9 | (4.7) | - | ( 0.2) | 6.9 | (4.9) |
| **Closing net liabilities** | **78.1** | **75.0** | **77.8** | **78.2** | **155.9** | **153.2** |

Costs for the year, all recognized under employee expense, are detailed below:

| (in millions of euro) | Pension plans and other long-term benefits | | Post-employment medical benefits | | Total | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Current cost of services | (4.3) | (3.8) | (1.7) | (1.8) | (6.0) | (5.6) |
| Financial costs on obligations | (9.3) | (9.2) | (3.5) | (3.9) | (12.8) | (13.2) |
| Revenue expected from plan assets | 6.2 | 5.7 | | - | 6.2 | 5.7 |
| Net actuarial losses recognized in year | (5.6) | (2.3) | (0.1) | (0.2) | (5.7) | (2.4) |
| Cost of prior-period services | (0.7) | (0.7) | 0.1 | 0.2 | (0.6) | (0.5) |
| Plan settlement or curtailment (losses)/gains | 0.8 | ( 0.4) | 0.8 | 0.5 | 1.6 | 0.1 |
| **Total** | **(12.9)** | **(10.8)** | **(4.5)** | **(5.2)** | **(17.3)** | **(16.0)** |
| | | | | | | |
| **Actual yield on assets** | **10.9** | **3.7** | **-** | **-** | **10.9** | **3.7** |

The movements in defined benefit obligations during the year are set out below:

| (in millions of euro) | Pension plans and other long-term benefits | | Post-employment medical benefits | | Total | |
|---|---|---|---|---|---|---|
| | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31,11 |
| Opening present value of defined benefit obligations | 215.8 | 200.7 | 91.0 | 81.7 | 306.8 | 282.4 |
| Current cost of services | 4.3 | 3.8 | 1.7 | 1.8 | 6.0 | 5.6 |
| Finance costs on obligations | 9.3 | 9.2 | 3.5 | 3.9 | 12.8 | 13.2 |
| Employee contributions | - | - | 0.3 | 0.2 | 0.3 | 0.2 |
| Cost of prior services | 0.5 | 0.5 | 0.4 | - | 0.9 | 0.5 |
| Actuarial (gains)/losses | 27.8 | 19.8 | 9.7 | 6.4 | 37.5 | 26.2 |
| Amounts paid | ( 20.3) | ( 17.2) | ( 4.4) | ( 3.8) | ( 24.7) | ( 21.0) |
| Plan curtailments | ( 0.7) | 0.0 | ( 0.7) | ( 0.5) | ( 1.4) | ( 0.5) |
| Plan settlements | - | ( 1.0) | - | - | - | ( 1.0) |
| Changes in scope of consolidation and other changes | 7.4 | ( 4.2) | - | ( 0.2) | 7.4 | ( 4.4) |
| Exchange-rate translation and other | ( 2.6) | 4.0 | ( 0.6) | 1.6 | ( 3.3) | 5.6 |
| **Closing present value of defined benefit liabilities** | **241.5** | **215.8** | **100.9** | **91.0** | **342.4** | **306.8** |

The movements in plan asset fair values are set out below:

| (in millions of euro) | Pension plans and other long-term benefits | | Post-employment medical benefits | | Total | |
|---|---|---|---|---|---|---|
| | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31, 11 | Dec.31, 12 | Dec.31,11 |
| Opening fair value of plan assets | 88.1 | 86.1 | - | - | 88.1 | 86.1 |
| Expected yield | 6.2 | 5.7 | - | - | 6.2 | 5.7 |
| Actuarial gains/(losses) | 4.6 | (2.0) | - | - | 4.6 | (2.0) |
| Employer contributions | 16.6 | 14.4 | 4.1 | 3.6 | 20.7 | 18.1 |
| Employee contributions | - | - | 0.3 | 0.2 | 0.3 | 0.2 |
| Benefits paid | (20.3) | (17.2) | (4.4) | (3.8) | (24.7) | (21.0) |
| Plan settlements | 0.0 | (1.0) | - | - | 0.0 | ( 1.0) |
| Changes in scope of consolidation | 0.0 | (0.1) | - | - | 0.0 | ( 0.1) |
| Translation differences and other | (1.7) | 2.2 | - | - | (1.7) | 2.2 |
| **Closing fair value of plan assets** | **93.6** | **88.1** | **-** | **-** | **93.6** | **88.1** |

The Group's estimated contribution to defined benefit plans in 2013 is 15.4 million euro.

The table below sets out the main plan asset categories as percentages of total fair value:

| | 2012 | 2011 |
|---|---|---|
| Shares | 38.5% | 38.4% |
| Bonds | 49.7% | 49.5% |
| Investment property | 0.3% | 0.4% |
| Other | 11.5% | 11.7% |

The table below sets out key data for pension plans and other long-term benefits in the last two years:

| (in millions of euro) | Dec.31,12 | | Dec.31,11 | |
|---|---|---|---|---|
| Discounted value of funded plans | 342.4 | | 306.8 | |
| Fair value of plan assets | (93.6) | | (88.1) | |
| Net value of funded plans | 248.8 | | 218.7 | |
| Difference between actual asset yield and asset yield expected at beginning of period (experience adjustments) | -4.6 | -5% | 1.9 | 2% |
| Change in value of funded plans other than experience adjustments | -7.5 | -2% | 8.3 | 3% |

## Actuarial assumptions

The actuarial assumptions used to determine obligations arising from pension plans and other long-term benefits are set out below:

| (in %) | Europe | | North America | | Other countries | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Expected yield on assets | - | 3.50 - 4.70 | - | 7.72 | - | 7.50 |
| Future wage and salary increases | 1.00 - 3.25 | 1.00 - 3.50 | n.a. | n.a. | 3.50 - 8.50 | 3.50 - 8.50 |

n.a.: not applicable

In 2012 the expected yields on assets for 2013 were not indicated, since the new IAS 19 revised will be applied, which uses the same rates as for defined benefit obligations.

| Discount factor (in %) | 2012 | 2011 |
|---|---|---|
| **Europe** | | |
| Italy | 2.75 | 4.60 |
| Belgium | 1.75-2.75 | 4.60 |
| Spain | 2.75 | 4.60 |
| France | 1.00-2.75 | 4.60 |
| Greece | 2.75 | 4.60 |
| Bulgaria | 4.25 | 5.50 |
| **North America** | | |
| USA | 3.50 | 4.19 |
| Canada | 4.25 | 4.75 |
| **Other countries** | | |
| Morocco | 4.50 | 4.50 |
| Kuwait | 3.35 | 4.60 |
| Thailand | 3.75 | 3.50 |
| India | 8.25 | 8.40 |

The rate used to discount post-employment benefit obligations was determined by reference to market yields on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used.

## Defined contribution plans

The Group's defined contribution plans are pension plans and medical plans; expense relating to these plans in 2012 was 51.0 million euro (51.4 million euro in 2011).

## Termination plans

At December 31, 2012 provisions for termination plans totaled 73.6 million euro (37.5 million euro in 2011) and related mainly to Italy for 69.3 million euro in connection with re-organization plans affecting Italcementi S.p.A., Calcestruzzi and C.T.G.

## 20. Provisions

Non-current and current provisions totaled 225,994 thousand euro at December 31, 2012 and decreased by 24,789 thousand euro from December 31, 2011, as follows:

| (in thousands of euro) | December 31, 2011 | Additions | Decreases | Reversed unused amounts | Translation differences | Other changes and reclassifs. | Total changes | December 31, 2012 |
|---|---|---|---|---|---|---|---|---|
| Environmental restoration | **91,770** | 12,438 | (7,007) | (4,795) | (701) | (4,871) | **(4,936)** | **86,834** |
| Disputes | **94,368** | 14,011 | (13,996) | (7,051) | (2,469) | (6,303) | **(15,808)** | **78,560** |
| Other provisions | **64,645** | 4,840 | (5,736) | (3,684) | (1,556) | 2,091 | **(4,045)** | **60,600** |
| **Total** | **250,783** | **31,289** | **(26,739)** | **(15,530)** | **(4,726)** | **(9,083)** | **(24,789)** | **225,994** |
| Non-current portion | **248,790** | 31,063 | (25,106) | (15,530) | (4,731) | (9,051) | **(23,355)** | **225,435** |
| Current portion | **1,993** | 226 | (1,633) | | 5 | (32) | **(1,434)** | **559** |

"Disputes" reflects provisions for fiscal risks deemed probable as a result of tax audits and adjustments to tax returns, provisions for disputes with employees and provisions for restoration of urban and industrial areas.

### Contingent liabilities

The main contingent liabilities relating to disputes and proceedings pending at December 31, 2012 for which amounts were not provided, are described below. The Group is not aware of other disputes, legal controversies or other exceptional facts that might have a material impact on its financial position, results and operations

### Europe

Regarding the investigation begun in November 2008 by the European Commission into some cement producers, including Italcementi S.p.A. and the subsidiaries Ciments Français S.A., Ciments Calcia S.A. and Compagnie des Ciments Belges (CCB) S.A., in December 2010 the European Commission notified the decision for the formal opening of the proceeding to Italmobiliare S.p.A. (and, indirectly through Italmobiliare, to the above-named Group companies and the Spanish subsidiary Financiera Y Minera).
In April 2011, the Commission served a further formal notice on Italmobiliare of its decision to request extensive additional economic, financial and commercial information. Italmobiliare provided the information within the required term and, simultaneously, lodged an appeal with the EU General Court against the decision. Both the investigation and the proceeding are still underway.
Regarding the proceeding begun in 2009 by the General Directorate of the Belgian Competition Authority against cement producers (including Compagnies des Ciments Belges (CCB). After the charges were formally notified in April 2010, the Belgian Competition Authority is expected to make a decision in the first quarter of 2013.

### Turkey

As a result of the non-closure of the 2008 agreement for the sale of the Turkish operations (Set Group) by Ciments Français to Sibcem, a number of proceedings are pending.
Sibconcord, the main shareholder of Sibcem, has begun a proceeding in Russia to annul the agreement. On September 26, 2011, the ruling annulling the contract obtained in first instance by Sibconcord and confirmed in

appeal and by the regional court of cassation, was overturned by the Russian Supreme Court. The case has been sent back to the court of first instance.
In December 2011, before the decision of the Russian Supreme Court, Sibconcord filed for compulsory execution in Kazakhstan but the petition was rejected by the court of first instance and on appeal.
As contemplated by the contract, Ciments Français began arbitration proceedings (in Istanbul) in accordance with the regulation of the International Chamber of Commerce. On December 7, 2010, it obtained a favorable arbitration award recognizing the validity of the resolution of the contract by Ciments Français with the right to retain the 50 million euro paid by Sibcem.
Sibcem obtained the annulment of the arbitration award from the non-competent Turkish court; Ciments Français appealed. The court of appeal overturned the decision and sent the case to the court of Istanbul. On December 12, 2012 the arbitration panel issued a final sentence establishing an expiry for the arbitration proceeding.
Meanwhile Ciments Français is continuing with procedures for the recognition of the award in a number of countries, including Russia.

**India**

The dispute between Zuari and Larsen & Toubro (L&T for short) on the contract for civil and mechanical engineering works at the Yerraguntla cement plant, for which an arbitration proceeding began in August 2011, was resolved in 2012 with an agreement between the parties.

## 21. Deferred tax assets and Deferred tax liabilities

Total net deferred tax liabilities are analyzed below:

| (in millions of euro) | December 31, 2011 | Results | Other changes | December 31, 2012 |
|---|---|---|---|---|
| Benefit on tax loss carryforwards | 57.9 | 6.1 | (1.7) | 62.3 |
| Property, plant and equipment | (335.8) | 0.5 | 15.0 | (320.3) |
| Inventories | (15.0) | (0.1) | - | (15.1) |
| Non-current provisions and Employee benefits | 102.2 | 1.1 | (8.3) | 94.9 |
| Other | 44.8 | (12.8) | (5.4) | 26.6 |
| **Total net deferred taxes** | **(145.9)** | **(5.2)** | **(0.4)** | **(151.6)** |
| of which: | | | | |
| Deferred tax assets | 76.2 | | | 57.6 |
| Deferred tax liabilities | (222.1) | | | (209.2) |

At December 31, 2012 deferred tax assets reflected in equity reserves amounted to 0.8 million euro (1.5 million euro of deferred tax liabilities at December 31, 2011).
Off-balance sheet deferred tax amounted nearly to 216 million euro, of which amounts relating to losses for the period and previous periods totaled approximately 160 million euro (143.3 million euro at December 31, 2011) and referred to losses posted by Group companies, the reversal of which is not considered reasonably certain at the present time.

## 22. Net debt

An itemized correlation of net debt with the statement of financial position is set out below:

(in thousands of euro)

| Financial asset and liability category | Statement of financial position caption | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|---|
| **Current financial assets** | | **(624,765)** | | **(659,685)** | |
| Cash and cash equivalents | Cash and cash equivalents | | (578,388) | | (613,334) |
| Current loan assets | Equity investments, bonds and financial assets | | (22,738) | | (35,733) |
| Other current financial assets | Other current assets | | (5,121) | | (4,625) |
| Derivatives | Other current assets | | (18,518) | | (5,993) |
| **Current financial liabilities** | | **727,634** | | **756,719** | |
| Bank overdrafts and short-term borrowings | Loans and borrowings | | 429,479 | | 189,296 |
| Loans and short-term borrowings | Financial liabilities | | 296,376 | | 543,934 |
| Derivatives | Other current liabilities | | 1,779 | | 23,489 |
| **Non-current financial assets** | | **(154,639)** | | **(117,073)** | |
| Securities and bonds | Other non-current assets | | (27,850) | | (21,816) |
| Derivatives | Other non-current assets | | (126,789) | | (95,257) |
| **Non-current financial liabilities** | | **2,050,026** | | **2,113,054** | |
| Loans and long-term borrowings | Financial liabilities | | 2,016,946 | | 2,099,268 |
| Derivatives | Other non-current liabilities | | 33,080 | | 13,786 |
| **Net debt** | | **1,998,256** | | **2,093,015** | |

The net debt at December 31, 2011, determined in compliance with Consob communication no. DEM/6064293 of July 28, 2006 (i.e., excluding non-current financial assets), amounted to 2,152,895 thousand euro (2,210,088 thousand euro at December 31, 2011).

## 22.1 Financial liabilities

Financial liabilities are shown below by category, subdivided by non-current and current liabilities:

| (in thousands of euro) | | Effective interest rate | Nominal value at 12.31.2012 | Maturity | 12.31.2012 | 12.31.2011 |
|---|---|---|---|---|---|---|
| **Bank overdrafts and drawings on lines of credit** | | | | | **654,635** | **743,152** |
| | Italcementi S.p.A. | | | | 522,138 | 614,688 |
| | Italcementi Finance S.A. | | | | 50,000 | - |
| | Other Group companies | | | | 82,497 | 128,464 |
| **Bond loans** | | | | | **1,335,010** | **1,318,260** |
| Issued by Italcementi Finance: | EMTN 750 mln euro 5.375% | 5.55% | 738,000 | 2020 | 810,065 | 782,728 |
| Issued by Ciments Français S.A.: | EMTN 500 mln euro 4.75% | 4.84% | 500,000 | 2017 | 524,945 | 520,532 |
| | For private investors EMTN 15 mln euro 4.47% | 4.50% | 15,000 | 2013 | - | 15,000 |
| **Other loans and borrowings** | | | | | **24,518** | **23,678** |
| | Other liabilities (0% - 3.67%) | | | | 24,518 | 23,678 |
| **Finance lease payables** | | | | | **2,783** | **14,178** |
| **Non-current financial liabilities** | | | | | **2,016,946** | **2,099,268** |
| | Fair value of hedging derivatives | | | | 33,080 | 13,786 |
| **Non-current financial liabilities** | | | | | **2,050,026** | **2,113,054** |
| **Bank overdrafts and drawings on lines of credit** | | | | | **517,745** | **458,443** |
| **Amounts due to banks** | | | | | **104,903** | **114,300** |
| **Bond loans** | | | | | | |
| | For private investors EMTN 15 mln euro 4.47% | 4.50% | 15,000 | | 15,000 | - |
| | For private investors 16.5 mln US dollars | 5.90% | | | - | 12,761 |
| **Convertible bonds** | | | | | **-** | **3,805** |
| **Other** | | | | | | |
| | Other loans and borrowings | | | | 25,000 | 21,632 |
| | Billets de trésorerie | | | | 6,000 | 70,000 |
| | Finance lease payables | | | | 2,103 | 5,115 |
| | Accrued interest expense | | | | 55,104 | 47,174 |
| **Current financial liabilities** | | | | | **725,855** | **733,230** |
| | Fair value of hedging derivatives | | | | 1,779 | 23,489 |
| **Current financial liabilities** | | | | | **727,634** | **756,719** |
| **Total financial liabilities** | | | | | **2,777,660** | **2,869,773** |

At December 31, 2012 bank overdrafts and drawings on lines of credit included amounts secured by mortgages and liens on property, plant and equipment for 98.3 million euro, of which 30.5 million euro short-term and 67.8 million euro medium/long-term.
At December 31, 2012 short-term “Other loans and borrowings” included 8.2 million euro relating to factoring programs (9.1 million euro at December 31, 2011).

Italcementi S.p.A. has been assigned a public rating since 2006, by the Moody’s and Standard & Poor’s ratings agencies. At December 31, 2012, the rating was respectively Ba2 outlook negative-NP and BB+ outlook stable-B. During 2012 the ratings were reviewed on, respectively, May 28, 2012 by Standard & Poor’s, which downgraded the long-term rating from BBB- to BB+, and November 15, 2012 by Moody’s, which downgraded the long-term rating from Ba1 to Ba2.

Non-current financial liabilities by currency:

| (in millions of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Euro | 1,923.6 | 1,957.6 |
| U.S. and Canadian dollar | 16.0 | 25.8 |
| Moroccan dirham | - | 29.7 |
| Indian rupee | 70.4 | 77.7 |
| Egyptian pound | 1.0 | 1.6 |
| Others | 5.9 | 6.9 |
| **Total** | **2,016.9** | **2,099.3** |

Non-current financial liabilities by maturity, including fair value adjustments:

| (in millions of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| 2013 | | 409.1 |
| 2014 | 502.8 | 271.9 |
| 2015 | 29.1 | 32.8 |
| 2016 | 55.9 | 3.7 |
| 2017 | 528.5 | 521.5 |
| Beyond | 900.6 | 860.3 |
| **Total** | **2,016.9** | **2,099.3** |

The main medium/long-term loans and borrowings in 2012 and 2011 are described below.

Bank loans and drawings on lines of credit:

a) In May 2012, Italcementi S.p.A. arranged a 200 million euro floating-rate 5-year renewable line of credit to replace a facility expiring in December 2012. In line with the policy introduced, Italcementi Finance S.A. is part of the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings had been made on the line at December 31, 2012;

b) During 2012 in September and November respectively, Italcementi S.p.A. expired a three-year 50 million loan and a fully drawn five-year 75 million committed line of credit expired and were repaid on expiry, without renewal;

c) On September 28, 2012, Italcementi Finance S.A. arranged a new medium-term line of credit (3 years and 6 months) for 100 million euro refinancing two lines of credit due to mature, with the same bank. No drawings had been made on the new facility at December 31, 2012;

d) During 2012, Italcementi Finance S.A. renewed committed bilateral lines of credit at 364 days with leading international banks for a total amount of 150 million euro. Drawings at December 31, 2012 totaled 125 million euro;

e) On April 29, 2011, Italcementi Finance S.A. arranged a 50 million euro floating-rate five-year bilateral line of credit, guaranteed by Italcementi S.p.A.. The facility had been fully drawn at December 31, 2012;

Bond loans

f) The Italcementi Group covers its financial requirements through recourse to diversified instruments. It covers its long-term financing requirements largely through bond issues. Specifically, Italcementi S.p.A. has launched a Euro Medium Term Notes program (EMTN) for qualified investors on the European market, for a maximum amount of 2 billion euro. This replaces the program previously in operation at Ciments Français S.A..

   The launch of the program, on March 9, 2010, is part of a broader project to optimize management of financial operations, under which Italcementi S.p.A. has been assigned a greater role as parent responsible for the coordination and direct implementation of financing programs for all Group operations. The program reference material was renewed on June 29, 2012.

   Under this program, on March 16, 2010, Italcementi Finance S.A., a French subsidiary of Italcementi S.p.A., closed the placement of a ten-year bond at a fixed rate of 5.375%, for a nominal amount of 750 million euro. The bond, guaranteed by Italcementi S.p.A., is listed on the Luxembourg Stock Exchange. The terms and issue conditions of the program include a coupon step-up clause for 125 basis points should the rating go beneath “investment grade”. After the downgrade of the Moody’s rating on December 15, 2011, the clause will be applied as from the next annual coupon due on March 19, 2013.
   In December 2011 Italcementi S.p.A effected a partial repurchase of the bonds for an overall nominal value of 12 million euro;

g) Ciments Français S.A. covers its long-term financial requirements largely through Italcementi Finance S.A., the company that coordinates and implements programs to provide funding for the entire Italcementi Group. Consequently the EMTN program reference material has not been renewed since July 17, 2008. At December 31, 2012, notes issued and still outstanding under the program totaled 515 million euro, of which 500 million euro issued on March 21, 2007 at a fixed rate of 4.75% with a ten-year maturity;

h) On February 24, 2010 Ciments Français S.A. launched an offer for holders of its 2002 and 2006 US private placements to repurchase any and all outstanding notes. On April 7, 2010, the offer obtained an uptake for a nominal amount of 183.5 million US dollars out of a total of 200 million US dollars of notes issued in 2002, and for a nominal amount of 300 million US dollars out of a total of 300 million US dollars of notes issued in 2006. The remaining notes for 16.5 million US dollars relating to the ten-year issue of November 15, 2002 at a fixed rate of 5.63%, were reimbursed in November 2012;

Billets de Trésorerie issue program

i) On October 17, 2011 Italcementi Finance S.A was authorized by the Bank of France to issue a Billets de Trésorerie program for a maximum amount of 800 million euro. The program, guaranteed by Italcementi S.pA, has an NP Moody’s rating and a B Standard & Poor’s rating. The transaction was managed by Natixis with Bred Banque Populaire, Credit Agricole CIB, Credit Industriel et Commercial, HSBC France, ING Belgium S.A., Natixis and Société Générale as bookrunners. The program was granted a STEP label on October 24, 2011. The program (reference number #0002214) meets the criteria of the STEP market convention. In 2012, Italcementi Finance S.A. issued Billets de Trésorerie for a total amount of 82.5 million euro of which 6 million euro still outstanding at December 31, 2012;

j) During 2012, Ciments Français reimbursed in full the billets de trésorerie issued under its program, which was not renewed, for a total of 70 million euro.

Main intragroup relations:

k) In 2011, after finalization of a bilateral bank line of credit arranged by Italcementi Finance S.A., Italcementi S.p.A. obtained from Italcementi Finance S.A. a 50 million euro five-year renewable line of credit. The line was fully drawn at December 31, 2012;

l) In the first half of 2010, concomitantly with the Italcementi Finance S.A. bond issue, Italcementi S.p.A. obtained two ten-year loans from Italcementi Finance S.A., one at a fixed rate and one at a floating rate, for a total amount of 210 million euro;

m) During the first half of 2010, Italcementi S.p.A. took part in financing the repurchase offer on the Ciments Français S.A. US Private Placements, granting Ciments Français S.A. a long-term 5-year floating-rate intragroup loan for 100 million euro;

n) In the first half of 2010, Ciments Français S.A. financed the repurchase of the US Private Placements and the reimbursement of part of the short-term loans with a five-year long-term floating-rate loan granted by Italcementi S.p.A. for an amount of 100 million euro, reimbursed early in January 2013 with Ciments Français surplus cash reserves, and with a ten-year long-term floating-rate loan granted by Italcementi Finance S.A. for 540 million euro;

o) In the third quarter of 2010, concomitantly with the finalization of the Italcementi Finance S.A. syndicated line of credit, Italcementi S.p.A. obtained from Italcementi Finance S.A. a five-year 220 million euro renewable line of credit. No drawings had been made on the line at December 31, 2012;

p) In the third quarter of 2010, Ciments Français S.A. replaced the 700 million euro five-year syndicated line of credit maturing in May 2012, with a 700 million euro five-year renewable line of credit granted by Italcementi Finance S.A.. At December 31, 2012, no drawings had been made on the line;

All loans and lines of credit arranged between Ciments Français S.A., Italcementi S.p.A. and their subsidiaries are at arm's length conditions.

As a result of the Moody's rating downgrade on December 15, 2011, the intercompany loans granted by Italcementi Finance S.A. to Italcementi S.p.A. and Ciments Français S.A. for total amounts of, respectively, 210 million euro and 540 million euro, will be subject to the applicable interest-rate increase of 125 basis points, in compliance with the step-up clause of the 750 million euro bond issued by Italcementi Finance. The rating downgrade had no other direct consequences on the cost of Group financing.

Significant transactions after December 31, 2012

On January 31, 2013 Ciments Français used 100 million euro of cash to make early repayment of the 100 million euro loan granted by Italcementi S.p.A. in 2010.

On February 14, 2013 Italcementi Finance S.A. closed placement of a five-year fixed-rate bond issue for a nominal amount of 350 million euro, under the Italcementi S.p.A./Italcementi Finance S.A. EMTN program. The notes guaranteed by Italcementi S.p.A. pay a fixed annual coupon of 6.125% and will mature on February 21, 2018. The issue price was 99.477 with yield to maturity of 6.35% corresponding to a yield of 515.5 basis points above the reference 5-year swap.

The bond was assigned a Ba2 Moody's rating and BB+ Standard & Poor's rating. Its purpose is to refinance debt maturing in 2012 and reduce recourse to the Group back-up lines. In connection with the issue, Italcementi Finance S.A. granted a five-year 350 million euro loan to Italcementi S.p.A., used to meet current maturities and reduce drawings on bank lines of credit and on the short-term intercompany line arranged with Italcementi Finance S.A.
The bond, reserved exclusively for qualified investors, is listed on the Luxembourg Stock Exchange.

## 22.2 Management of liquidity, credit and counterparty risks

### 22.2.1 Liquidity risk

Group centralized financial policy is designed to ensure that at any time debt maturing in less than two years is less than or equal to undrawn committed lines of credit and liquidity.

As from 2010, under the financial policy review, Italcementi S.p.A. and Ciments Français S.A. are the recipients of the fund-raising activities of Italcementi Finance S.A., enabling them to improve their access to credit and benefit from the synergies of a centralized financial policy. The policy aims to obtain loans at competitive conditions and ensure a balance between average debt maturity, flexibility and diversification of sources. Consequently, Italcementi S.p.A. and Ciments Français S.A. obtain refinancing from Italcementi Finance S.A. through short- and long-term intragroup loans, arranged at arm's length conditions.

Cash and cash equivalents, 578.4 million euro at December 31, 2012, consist largely of short-term assets such as short-term deposits, certificates of deposit, mutual funds. At December 31, 2012 the maximum exposure to a single counterparty was 24%.

Due to currency regulations in Egypt, Morocco, Thailand and India, the cash and cash equivalents of the Group companies in these countries, for a total of 336.5 million euro, are not immediately available to the Ciments Français S.A. holding (note 37.1).

The tables below compare net debt (excluding the fair value of derivatives and current financial assets) by maturity with available lines of credit at the end of each period:

**At December 31, 2012 ***

| (in millions of euro) | | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 3 years | Maturity 3 to 4 years | Maturity 4 to 5 years | Maturity more than 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | | | 502.8 | 29.1 | 55.9 | 528.5 | 900.7 | 2,016.9 |
| Current financial liabilities (**) | | 296.4 | | | | | | 296.4 |
| Amounts due to banks | | 429.5 | | | | | | 429.5 |
| **Cash and cash equivalents** | | **(578.4)** | | | | | | **(578.4)** |
| **Total** | | **147.5** | **502.8** | **29.1** | **55.9** | **528.5** | **900.7** | **2,164.4** |
| **Cumulative total** | | **147.5** | **650.3** | **679.3** | **735.2** | **1,263.8** | **2,164.4** | |
| | **start 2013** | **end 2013** | **end 2014** | **end 2015** | **end 2016** | **end 2017** | | |
| **Committed lines of credit available at end of each period** | **1,682.4** | **1,520.0** | **1,420.0** | **350.0** | **200.0** | **-** | **-** | |

(*) excluding fair value of derivatives
(**) of which "billets de trésorerie" 6 m €

**At December 31, 2011 ***

| (in millions of euro) | | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 3 years | Maturity 3 to 4 years | Maturity 4 to 5 years | Maturity more than 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | | - | 409.1 | 271.9 | 32.8 | 3.7 | 1,381.8 | 2,099.3 |
| Current financial liabilities (**) | | 581.0 | | | | | | 581.0 |
| Amounts due to banks | | 152.2 | | | | | | 152.2 |
| **Cash and cash equivalents** | | **(613.3)** | | | | | | **(613.3)** |
| **Total** | | **119.9** | **409.1** | **271.9** | **32.8** | **3.7** | **1,381.8** | **2,219.2** |
| **Cumulative total** | | **119.9** | **529.0** | **800.9** | **833.7** | **837.4** | **2,219.2** | |
| | **start 2012** | **end 2012** | **end 2013** | **end 2014** | **end 2015** | **end 2016** | | |
| **Committed lines of credit available at end of each period** | **1,907.0** | **1,687.0** | **1,490.0** | **1,170.0** | **100.0** | **-** | **-** | |

(*) excluding fair value of derivatives
(**) of which "billets de trésorerie" 70 m €

At December 31, 2012, the average maturity of Group gross debt was 3 years and 8 months (4 years and 7 months at December 31, 2011).
Current liabilities included billets de trésorerie for 6 million euro (70 million euro at December 31, 2011).
At December 31, 2012 the Group had 2,594 million euro of committed lines of credit of which 1,682 million euro undrawn and immediately available (2,506 and 1,907 million euro respectively at December 31, 2011).

## 22.2.2 Covenants

In addition to the customary clauses, some of the Group's financing contracts include covenants requiring compliance with financial ratios, fixed for the most part at the year-end date. The main financial ratios included in the covenants are "leverage" (net debt/recurring EBITDA), and "coverage" (recurring EBITDA/net finance costs, excluding capital gains/losses on the sale of equity investments). For bilateral or syndicated lines of credit and borrowings, failure to comply with covenants leads to termination and consequent early repayment, however, these clauses also include a stand-by period prior to actual execution. Lines of credit and financing contracts do not contain rating triggers that would lead to early repayment. Some financing contracts involve assumption of negative pledges to the counterparty, although these are limited to specific instances that do not substantially compromise the Group's ability to finance or refinance its operations.

At December 31, 2012 lines of credit and loans subject to covenants stood at 498 million euro of total drawings represented by gross financial liabilities (2,640 million euro at December 31, 2012 expressed at nominal value, excluding the fair value effects of derivatives) and 1,575 million euro of total undrawn immediately available lines of credit (1,682 million euro at December 31, 2012).
At December 31, 2012 the Group complied with all contractual commitments; covenant-related financial ratios were within the contractual limits agreed by the loans in question. The Group expects to comply with its covenants for the next 12 months and will provide information as appropriate should its financial situation deteriorate.

### 22.2.3 Credit risk

In compliance with Group procedures, customers electing extended terms of payment are vetted for credit worthiness before and during the life of the contract. Credit checks take the form of customer-balance monitoring by the administrative department, whose procedures also regulate provisions for overdue receivables at regular intervals.
The concentration of trade credit risks is limited by virtue of the Group's broadly based and uncorrelated customer portfolio. For this reason, management believes that no further provisions for credit risks will be necessary beyond the allowances normally provided for uncollectible and doubtful receivables.

### 22.2.4 Counterparty risk

Currency and interest-rate instruments are transacted only with counterparties with high ratings, selected on the basis of a number of criteria: ratings attributed by specialist agencies, assets and equity as well as the nature and maturity of transactions. The majority of counterparties are leading international banks.
No financial instruments are negotiated with counterparties in geographical regions exposed to political or financial risks. All counterparties are in Western Europe or in the USA.

## 22.3 Financial assets and liabilities

The table below sets out the carrying amount and fair value of financial assets and liabilities at December 31, 2012:

| (in millions of euro) | December 31, 2012 Fair Value | December 31, 2012 Carrying amount | December 31, 2011 Fair Value | December 31, 2011 Carrying amount |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE** | | | | |
| **Assets originally designated at fair value** | | | | |
| Cash and cash equivalents without short-term deposits (note 37.1) | 338 | 338 | 355.6 | 355.6 |
| **Assets classified as held for trading** | | | | |
| Fair value of derivatives (note 22.3.1) | 145.3 | 145.3 | 101.2 | 101.2 |
| **HELD-TO-MATURITY INVESTMENTS** | | | | |
| **LOANS AND RECEIVABLES** | | | | |
| Short-term deposits (note 37.1) | 240 | 240 | 257.7 | 257.7 |
| Trade receivables (note 12) | 744.6 | 744.6 | 857.3 | 857.3 |
| Other current assets | 2.0 | 2.0 | 2.9 | 2.9 |
| Other financial assets without concessions, licenses paid in advance and derivatives (note 10) | 180.6 | 180.6 | 193.8 | 193.8 |
| Equity investments, bonds and financial assets | 23.0 | 23.0 | 36.0 | 36.0 |
| **AVAILABLE-FOR-SALE FINANCIAL ASSETS** | | | | |
| Other equity investments (note 9) | 80.1 | 80.1 | 88.2 | 88.2 |
| | | | | |
| **FINANCIAL LIABILITIES AT FAIR VALUE** | | | | |
| **Liabilities originally designated at fair value** | - | - | - | - |
| **Liabilities classified as held for trading** | | | | |
| Fair value of derivatives (note 22.3.1) | 34.9 | 34.9 | 37.3 | 37.3 |
| **OTHER FINANCIAL LIABILITIES** | | | | |
| Trade payables | 605.6 | 605.6 | 618.3 | 618.3 |
| Other current liabilities | 123.4 | 123.4 | 70.6 | 70.6 |
| Finance lease payables | 4.9 | 4.9 | 19.3 | 19.3 |
| Floating-rate financial liabilities | 1,068.7 | 1,068.7 | 1,288.4 | 1,288.4 |
| Fixed-rate financial liabilities | 1,481.4 | 1,398.5 | 1,456.5 | 1,395.6 |
| Amounts due to banks | 104.9 | 104.9 | 114.3 | 114.3 |
| Other short-term financing | 165.8 | 165.8 | 14.9 | 14.9 |
| Purchase commitments on non-controlling interests | 45.8 | 45.8 | 67.8 | 67.8 |

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.
Derivatives are measured and recognized at fair value. The fair value of interest-rate contracts is determined on the present value of cash flows using the zero coupon curve.
The fair value of forward currency purchase contracts is based on the current exchange rates of contracts with similar maturity profiles.
The fair value of foreign currency payables and receivables is determined using year-end exchange rates. The fair value of fixed-rate payables and receivables is based on a fixed rate with no credit margin, net of transaction costs directly related to the financial asset or liability.

### 22.3.1 Fair value of derivatives

The table shows the fair value of financial instruments reflected in the statement of financial position, subdivided by type of hedge:

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| (in thousands of euro) | Assets | Liabilities | Assets | Liabilities |
| **Derivatives - interest rates** | **-** | **1,337** | **379** | **3,023** |
| Future cash flow hedges | - | 318 | 379 | 2,728 |
| Trading | - | 1,019 | - | 295 |
| **Derivatives - exchange rates** | **18,518** | **442** | **5,614** | **20,466** |
| Future cash flow hedges | 299 | 330 | 4,237 | 37 |
| Fair value hedges | 18,219 | 112 | 1,377 | 20,301 |
| Trading | - | - | - | 128 |
| **Total current instruments** | **18,518** | **1,779** | **5,993** | **23,489** |
| **Derivatives - interest rates** | **126,789** | **33,080** | **95,257** | **13,786** |
| Future cash flow hedges | - | 19,794 | - | 5,498 |
| Fair value hedges | 126,789 | 13,286 | 95,257 | 8,288 |
| **Derivatives - exchange rates** | **-** | **-** | **-** | **-** |
| Fair value hedges | - | - | - | - |
| **Total medium/long-term instruments** | **126,789** | **33,080** | **95,257** | **13,786** |
| **Total** | **145,307** | **34,859** | **101,250** | **37,275** |

Medium/long-term derivatives on interest rates reflected under assets for 126.8 million euro mainly refer to fixed-rate to Euribor-indexed floating-rate interest-rate swaps hedging part of the 500 million euro bond issued by Ciments Français S.A. for 26.1 million euro and part of the 750 million euro bond issued by Italcementi Finance S.A. for 100.7 million euro; both bond issues were fixed-rate issues under the respective EMTN programs; at December 31, 2011 the derivatives were carried under assets at 22 million euro and 73.2 million euro respectively.
The Group does not set up hedges on sales and purchases of shares.
Derivatives on trading exchange rates and interest rates refer to assets that do not qualify for recognition with hedge accounting criteria.

Fair value of derivatives on management of commodities risk

The fair value of derivatives on management of commodities risk is illustrated below:

| | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| (in thousands of euro) | Assets | Liabilities | Assets | Liabilities |
| **Short-term** | **11,147** | **20,791** | **22,948** | **14,685** |
| **Medium/long-term** | **-** | **142** | **9,559** | **11,743** |
| **Total** | **11,147** | **20,932** | **32,507** | **26,428** |

The fair value of derivatives relating to EUA and CER transactions was -9 million euro at December 31, 2012, of which 11 million euro reflected under "Other current assets" and -20 million euro under "Other current liabilities".
2012 derivative transactions on emission rights had a negative impact of 4 million euro on profit before tax and a negative impact of 11.4 million euro on equity.
The fair value of derivatives relating to transactions on electricity at December 31, 2012 was -1 million euro, reflected under "Other current liabilities" for -0.8 million euro and "Other non-current liabilities" for -0.2 million euro.
In 2012 derivative transactions on electricity generated an impact on equity (OCI reserve) of -0.5 million euro.

## 22.3.2 Fair value - hierarchy

In determining and documenting the fair value of financial instruments, the Group uses the following hierarchy based on different measurement methods:
level 1: financial instruments with prices quoted on active markets,
level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data;
level 3: fair value determined with measurement methods where no significant input is based on observable market data.

At December 31, 2012, financial assets and liabilities stated at fair value were subdivided as follows:

| | December 31, 2012 | level 1 | level 2 | level 3 |
|---|---|---|---|---|
| (in millions of euro) | | | | |
| Mutual funds (note 37.1) | 217.8 | 217.8 | | |
| Derivatives - assets (note 22.3.1) | 145.3 | | 145.3 | |
| Equity investments, bonds and financial assets | 3.0 | 3.0 | | |
| Other equity investments (note 9) | 80.1 | 42.9 | | 37.2 |
| Derivatives - liabilities (note 22.3.1) | 34.9 | | 34.9 | |
| Purchase commitments on non-controlling interests (note 23) | 45.8 | | | 45.8 |

No portfolio reclassifications of financial assets from categories measured at fair value to categories measured at amortized cost were made by the Group, either in 2012 or in 2011.

## 22.4 Interest-rate risk management

The Group interest-rate risk management policy is designed to minimize the cost of net financial liabilities and reduce exposure to fluctuation risks. It hedges two types of risk:

1. the risk of variations in the market value of fixed-rate borrowing and lending transactions. Group fixed-rate debt is exposed to an “opportunity cost” risk in the event of a fall in interest rates. A change in interest rates will affect the market value of fixed-rate assets and liabilities and impact the consolidated profit or loss in the event of liquidation or early repayment of these instruments;
2. the risk linked to future flows arising from floating-rate borrowing and lending transactions.

A change in interest rates will have a negligible impact on the market value of floating-rate financial assets and liabilities but will affect finance costs and, consequently, future profits.

The Group manages this dual risk as part of its general policy, performance targets and risk reduction targets by giving priority to hedges on future flows over the short- and medium-term and to hedges against the market value risk over the long term, within the specified limits.
It hedges interest-rate risks mainly by arranging interest-rate swaps, forward-rate agreements and interest-rate options with top-ranking banks. Exposure in derivatives may never exceed the value of the underlying.

### 22.4.1 Interest-rate risk hedging

The table below sets out the notional value of interest-rate derivatives by maturity:

| (in millions of euro) | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 5 years | Maturity more than 5 years | Total |
|---|---|---|---|---|---|
| **Fair value hedges** | | | | | |
| **SWAPs receive Fixed / pay Floating** | | | | | |
| 165 M€ 4.75% Euribor 3M+ 0.626% | - | - | 165.0 | - | 165.0 |
| 650 M€ 5.375% Euribor 3M+2.284% | - | - | - | 650.0 | 650.0 |
| **Total** | **-** | **-** | **165.0** | **650.0** | **815.0** |
| **Cash flow hedges** | | | | | |
| **SWAPs receive Floating / pay Fixed** | | | | | |
| 910 M€ Euribor 3M 1.74% | 200.0 | 100.0 | 175.0 | 435.0 | 910.0 |
| 76.05 M€ Euribor 6M 2.83% | 25.0 | 50.0 | 1.1 | - | 76.1 |
| **Cash flow hedges OPTIONS** | | | | | - |
| | | | | | - |
| **Total** | **225.0** | **150.0** | **176.1** | **435.0** | **986.1** |
| **Trading** | | | | | |
| **SWAPs receive Floating / pay Fixed** | | | | | - |
| 400 M$ Libor 3M 0.7359% | - | 75.8 | 151.6 | 75.8 | 303.2 |
| **Trading Options** | | | | | - |
| | | | | | |
| **Total** | **-** | **75.8** | **151.6** | **75.8** | **303.2** |
| **Total** | **225.0** | **225.8** | **492.7** | **1,160.8** | **2,104.3** |

### 22.4.2 Exposure to interest-rate risk

At December 31, 2012, 89% of Group net debt (not including the fair value of derivatives) was at a fixed rate or hedged against the risk of rate increases. 69% of fixed-rate commitments arose from swapped contracts initially arranged at floating rates.

Hedges are stated at nominal value for the period in question (consistently with instrument maturity) and do not include fixed-rate to fixed-rate contracts.

### 22.4.3 Net debt at inception and after interest-rate hedging

The evolution of net debt at December 31, 2012 is illustrated below:

| | | Maturity | | | |
|---|---|---|---|---|---|
| (in millions of euro) | **12.31.2012** | **< 1 year** | **1 - 2 years** | **2 - 5 years** | **Beyond** |
| Fixed-rate financial liabilities | 1,398.5 | 35.8 | 3.0 | 531.6 | 828.1 |
| Fixed-rate financial assets | (5.1) | - | - | - | (5.1) |
| Fixed-rate ND at inception | 1,393.4 | 35.8 | 3.0 | 531.6 | 823.0 |
| Fixed- to floating-rate hedges | (815.0) | | | (165.0) | (650.0) |
| Floating- to fixed-rate hedges | 1,289.3 | 225.0 | 225.8 | 327.7 | 510.8 |
| **Fixed-rate ND after hedging** | **1,867.7** | **260.8** | **228.8** | **694.3** | **683.8** |
| | | | | | |
| Floating-rate financial liabilities | 1,344.5 | 690.2 | 499.9 | 81.9 | 72.5 |
| Floating-rate financial assets | (628.8) | (605.8) | - | (5.6) | (17.3) |
| Floating-rate ND at inception | 715.7 | 84.4 | 499.9 | 76.3 | 55.2 |
| Fixed- to floating-rate hedges | 815.0 | - | - | 165.0 | 650.0 |
| Floating- to fixed-rate hedges | (1,289.3) | (225.0) | (225.8) | (327.7) | (510.8) |
| Optional hedges | - | - | - | - | - |
| **Floating-rate ND after hedging** | **241.4** | **(140.6)** | **274.1** | **(86.4)** | **194.4** |
| | | | | | |
| Optional hedges | - | - | - | - | - |
| Fair value of derivatives, net | (110.9) | (13.8) | 2.3 | 10.0 | (109.4) |
| **Net debt** | **1,998.3** | **106.4** | **505.1** | **617.9** | **768.8** |

At December 31, 2012, a +0.5% change in the interest-rate curve would have an impact of -1.2 million euro, that is, 1.4% of 2012 net financial costs. The impact on interest-rate derivatives in portfolio would be +16.7 million euro on equity and -19.5 million euro on profit before tax; the latter effect would be countered by an effect of +25.6 million euro on fixed-rate liabilities with fair value hedges.

At December 31, 2012, a -0.5% change in the interest-rate curve would have an impact of +1.2 million euro, that is, 1.4% of 2012 net finance costs. The impact on interest-rate derivatives in portfolio would be -17.3 million euro on equity and +20.4 million euro on profit before tax; the latter effect would be countered by an effect of -26.7 million euro on fixed-rate liabilities with fair value hedges.

### 22.5 Management of currency risk

The Group companies are structurally exposed to currency risks on cash flows from business operations and financing operations denominated in currencies other than their respective reporting currencies.

The Group companies operate chiefly on their respective local markets. Consequently, invoiced amounts and operating expenses are denominated in the same currency and exposure of operating cash flows to currency risk is not particularly significant, with the exception of fuel, spare parts and investments for construction of new plants.

Group policy requires borrowings or investments to be made in local currency, except in the case of hedges of foreign-currency cash flows. However, the Group may adapt this general policy to take account of specific macro-economic conditions in certain geographical areas (hyperinflation, high interest rates, liquidity, translations).

With regard to financing for subsidiaries, the Group may also arrange facilities in a currency other than that of the loan to the subsidiary.

Group policy is to hedge exposure whenever the market makes this possible. Net exposure of each entity is determined on the basis of expected net operating cash flows over one to two years and financing denominated in currencies other than the local currency.

The Group hedges exposure to currency risk with forward currency purchase and sale contracts, currency swaps that translate loans and borrowings generally denominated in euro at inception into foreign currency, as well as options.
These hedges are arranged with leading banks.

The impact of foreign currency translation on subsidiaries' equity is recorded in a separate equity item.

### 22.5.1 Exposure to currency risk

Consolidated net exposure by currency of financial assets and liabilities denominated in currencies other than the local currency is illustrated below:

| (in millions of euro) | Euro (*) | USD (*) | Other (*) |
|---|---|---|---|
| Financial assets (°) | 13.8 | 659.0 | 11.9 |
| Financial liabilities (°) | (2.8) | (26.2) | (46.8) |
| Derivatives | - | (534.4) | 38.0 |
| **Net exposure** | **11.0** | **98.4** | **3.2** |

(*) assets and liabilities are expressed at nominal value in euro when the local currency is not euro
(°) excluding trade payables and receivables

Foreign currency exposure refers mainly to the US dollar, the Thai baht, the Moroccan dirham, the Egyptian pound and the Indian rupee. No hedging is set up on net investments in these subsidiaries.
Net exposure in US dollars arose chiefly from the investment in this currency of the cash reserves of the Egyptian divisions, in order to mitigate possible local-currency fluctuations; also, the US dollar loan granted by Ciments Français to Essroc was hedged against the exchange rate risk with a currency swap.
At December 31, 2012, a 1% change in the exchange rate with the euro, in cases where the local currency is not euro, would have an impact of 32.9 million euro on equity, of which 7.8 million euro on non-controlling interests.
At December 31, 2012, a 10% rise in the US dollar would have an impact on exchange-rate derivatives in portfolio of 5.4 million euro on equity and -52.1 million euro on profit before tax. A 10% decrease in the US dollar would have an impact on exchange-rate derivatives in portfolio of -4.4 million euro on equity and 51.8 million euro on profit before tax.

## 22.5.2 Currency risk hedges

Currency risk hedges stated at the closing rates are illustrated below:

| (in millions of euro) | | December 31, 2012 | December 31, 2011 |
|---|---|---|---|
| **Forward purchases** | | | |
| Cash flow hedging | | | |
| | US dollars | 43.9 | 98.9 |
| | Others | 0.0 | 0.4 |
| Fair value hedging | | | |
| | US dollars | 48.8 | 6.4 |
| | Others | 46.8 | 100.7 |
| Trading | | | |
| | US dollars | - | |
| | Others | - | |
| **Total** | | **139.5** | **206.4** |
| **Forward sales** | | | |
| Fair value hedging | | | |
| | US dollars | 555.1 | 489.4 |
| | Others | 10.3 | 11.5 |
| Trading | | | |
| | US dollars | | 2.8 |
| | Others | 0.1 | |
| **Total** | | **565.5** | **503.7** |
| **Options** | | | |
| Cash flow hedging | | | |
| | US dollars | 14.3 | 0.0 |
| Fair value hedging | | | |
| | US dollars | - | - |
| Trading | | | |
| | US dollars | - | - |
| **Total** | | **14.3** | **0.0** |
| **Cross currency swaps** | | | |
| Fair value hedging | | | |
| | US dollars | 0.0 | 103.2 |
| **Total** | | **0.0** | **103.2** |
| **TOTAL** | | **719.3** | **813.3** |

All currency risk hedges expire within 12 months.

## 22.6 Management of commodity risk

**$CO_2$**

The Group's European subsidiaries are exposed to market fluctuations on $CO_2$ emission right prices, in connection with their surplus or deficit on the quotas allocated by their respective national governments.
In 2012, in view of the surplus accumulated and the macroeconomic and industry scenario, the Group sold EUAs on the spot market for 37.2 million euro (62.1 million euro in 2011).

From 2008 to 2012, the Group transacted forward EUA-CER swaps (forward EUA sales and forward CER purchases) distributed in the period 2009-2013, to diversify and optimize its $CO_2$ emission rights portfolio. Trades on emission rights markets are transacted by the parent, Italcementi S.p.A., which since 2010 has also operated on behalf of the Group's other European subsidiaries under an agency basis.

**Electricity**
In 2012, the Group arranged price risk hedges on electric power purchases for 2012 and 2013.

**Tin(II) sulfate**
In 2012 the Group arranged a modest volume of price risk hedges on tin(II) sulfate purchases in 2012.

### 22.7 Management of equity risk

The Group is exposed to market fluctuations on listed shares held in portfolio recognized under "Other equity investments". Treasury shares held by Italcementi S.p.A. are measured at cost and deducted against equity under the "Treasury shares" reserve (see note 16).
Equity investments treated as available-for-sale financial assets are recognized under "Other equity investments" (see note 9) including the listed interests in West China Cement.
The risk of fluctuations in the value of these equity investments is not actively managed with financial hedging instruments.

### 22.8 Hedge Accounting

The effects arising from application of hedge accounting rules are summarized below.
The specific equity reserve reflects fair value gains and losses on the effective component of cash flow hedges only.
The eliminated portion of the reserve relating to instruments that expired in 2011 amounted to -7.1 million euro at December 31, 2012 compared with +12.0 million euro at December 31, 2011. The changes in equity relating to derivatives traded in 2011 and still in portfolio at December 31, 2012 amounted to -10.9 million euro (-1.8 million euro at December 31, 2011). The overall effect of the new derivatives recognized in equity was -11.2 million euro at December 31, 2012 (+3.3 million euro at December 31, 2011).
The non-effective component of cash flow hedges in portfolio at December 31, 2012 recognized in profit or loss was immaterial in both 2012 and 2011.
With reference to fair value hedges in portfolio at the end of 2012, the amount taken to profit or loss totaled +100.4 million euro for 2012 (+3.1 million euro for 2011). Recognized amounts attributable to underlying risk hedged during the period totaled -112.2 million euro at December 31, 2012 (-3.3 million euro at December 31, 2011). These amounts are taken to profit or loss as gains and losses on interest-rate and currency derivatives (note 30).

## 23. Other current liabilities

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Due to employees | 101,133 | 105,577 |
| Due to social security authorities | 55,064 | 56,652 |
| Due to tax authorities | 69,583 | 80,321 |
| Derivatives | 21,744 | 37,342 |
| Purchase commitments on non-controlling interests | 45,803 | 67,768 |
| Advances from customers | 72,601 | 73,522 |
| Due to suppliers for non-current assets | 76,915 | 99,642 |
| Other | 119,275 | 116,364 |
| **Total** | **562,118** | **637,188** |

Purchase commitments on non-controlling interests refer to 48% of the shares of Universal Co. for Ready Mix Concrete in Egypt, 42% of the shares of Hilal in Kuwait and 26% of the shares of Gulbarga in India.

Derivatives are discussed in note 22.3.1 Derivatives.

## 24. Commitments

| (in millions of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Collateral given | | |
| - Pledges | 18.2 | 12.6 |
| - Liens and mortgages | 98.3 | 119.3 |
| Total collateral given | 116.5 | 131.9 |
| Deposits, guarantees, sureties and other | 118.0 | 117.8 |
| **Total** | **234.5** | **249.7** |

Collateral given at December 31, 2012 consisted mainly of mortgages and liens securing loans and borrowings at the Indian subsidiaries.

Contracts and orders issued for investments amounted to 228.6 million euro at December 31, 2012; they referred mainly to property, plant and equipment, as follows:

| (in millions of euro) | December 31, 2012 | less than 1 year | 1 to 5 years | more than 5 years |
|---|---|---|---|---|
| Commitments for PPE purchases | 228.6 | 164.4 | 64.2 | - |

## 25. Raw materials and supplies

Raw materials and supplies amounted to 1,866,121 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change |
|---|---|---|---|
| Raw materials and semifinished goods | 488,769 | 542,318 | (53,549) |
| Fuel | 405,897 | 503,499 | (97,602) |
| Packaging, materials, machinery | 270,151 | 285,588 | (15,437) |
| Finished goods | 122,200 | 123,945 | (1,745) |
| Electricity, water, gas | 526,151 | 461,001 | 65,150 |
| Change in inventories of raw materials, consumables, other | 52,953 | 8,258 | 44,695 |
| **Total** | **1,866,121** | **1,924,609** | **(58,488)** |

## 26. Services

Services amounted to 1,117,650 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change |
|---|---|---|---|
| External services and maintenance | 363,538 | 361,482 | 2,056 |
| Transport | 498,298 | 497,910 | 388 |
| Legal fees and consultancy | 41,635 | 47,830 | (6,195) |
| Rents | 79,862 | 84,904 | (5,042) |
| Insurance | 36,207 | 36,457 | (250) |
| Other | 98,110 | 103,613 | (5,503) |
| **Total** | **1,117,650** | **1,132,196** | **(14,546)** |

"Other" consisted mainly of postal and telephone expenses, cleaning and surveillance expenses, and communication/marketing expenses.

## 27. Employee expense

Employee expense totaled 921,905 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change |
|---|---|---|---|
| Wages and salaries | 612,586 | 632,829 | (20,243) |
| Social security contributions and pension fund provisions | 199,992 | 209,708 | (9,716) |
| Cost of stock option plans | - | (183) | 183 |
| Other costs | 109,327 | 98,586 | 10,741 |
| **Total** | **921,905** | **940,940** | **(19,035)** |

"Other costs" related mainly to costs of temporary personnel, canteen costs, employee insurance costs, travel costs and personnel training and recruitment.

The number of employees is shown below:

| (heads) | 2012 | 2011 |
|---|---|---|
| Number of employees at period end | 18,886 | 19,462 |
| Average number of employees | 19,224 | 20,057 |

### 27.1 Stock options

The terms and conditions of Italcementi S.p.A. stock option plans for directors and managers at December 31, 2012 are set out below:

| Grant date | N° options granted | Exercise period | Exercised options | Cancelled options | Unexercised options | Unit subscription price |
|---|---|---|---|---|---|---|
| March 17, 2005 | 1,053,600 | 3.17.2008 - 3.16.2015 | 6,475 | 28,900 | 1,018,225 | € 13.387 |
| March 7, 2006 | 631,403 | 3.7.2009 - 3.6.2016 | 4,187 | 50,325 | 576,891 | € 16.890 |
| March 7, 2007 | 1,020,200 | 3.7.2010 - 3.6.2017 | - | 49,525 | 970,675 | € 23.049 |
| March 26,2008 | 623,300 | 3.26.2011 -3.25.2018 | - | - | 623,300 | € 12.804 |
| June 4, 2008 | 1,564,750 | 6.4.2011 - 6.3.2018 | - | - | 1,564,750 | € 13.355 |
| **Total** | **4,893,253** | | **10,662** | **128,750** | **4,753,841** | |

The grant date is the date of the Board of Directors meeting that approved the stock option plan.
The average residual life of unexercised options is approximately 2 years and 1 month.

The number and average exercise price of Italcementi S.p.A. options in the periods in question are set out below:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | number of options | average sub-scription price | number of options | average sub-scription price |
| **Unexercised options at beginning of year** | **4,794,966** | **€ 15.637** | **5,230,216** | **€ 15.447** |
| Granted during year | | | | |
| Cancelled during year* | | | (435,250) | |
| Exercised during year | | | | |
| Expired during year | ( 41,125) | | | |
| **Unexercised options at end of year** | **4,753,841** | **€ 15.698** | **4,794,966** | **€ 15.637** |
| **Vested options at end of year** | **4,753,841** | | **4,794,966** | |

* in 2011 a lower grant on the plan on June 4, 2008

The average ordinary share price in financial year 2012 was 4.37 euro (5.9 euro in 2011).
The option exercise price at December 31, 2012 was between 12.804 euro and 23.049 euro.
Only options granted after November 7, 2002, that had not vested at December 31, 2003, were measured and recognized at the date of transition to the IFRS.

Amortization of the vesting period of Group stock option plans was completed during 2011:

| (in thousands of euro) Grant date | Company | N° options granted | Vesting period | Employee expense 2012 | 2011 |
|---|---|---|---|---|---|
| March 26, 2008 | Italcementi S.p.A. | 623,300 | 3 years | - | 120 |
| April 14, 2008 | Ciments Français S.A. | 152,900 | 3 years | - | 308 |
| June 4, 2008 | Italcementi S.p.A. | 1,564,750 | 3 years | - | (611) |
| **Totale** | | **2,340,950** | | **-** | **(183)** |

## 28. Other operating income (expense)

Net other operating expense amounted to 38,987 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change |
|---|---|---|---|
| Other taxes | (81,086) | (78,536) | (2,550) |
| Allowance for doubtful receivables | (22,933) | (25,775) | 2,842 |
| Provision for environmental restoration, quarries, other | (48,287) | (65,562) | 17,275 |
| Miscellaneous income | 113,319 | 141,540 | (28,221) |
| **Total** | **(38,987)** | **(28,333)** | **(10,654)** |

2012 "Miscellaneous income" included net capital gains of 35.9 million euro (59.7 million euro in 2011) on $CO_2$ emission rights trading and income from reimbursement of "new entry" $CO_2$ quotas assigned to Italcementi S.p.A. for the period 2008-2012; the amount was 3.7 million euro (18.9 million euro in 2011).

## 29. Non-recurring income (expense)

Non-recurring expense net of non-recurring income amounted to 17,541 thousand euro and referred chiefly to gains from the sale of property, plant and equipment and intangible assets, employee expense for re-organizations and industrial restructurings, fines and penalties.

| (in thousands of euro) | 2012 | 2011 |
|---|---|---|
| Net gains from the sale of non-current assets | 38,548 | 66,315 |
| Non-recurring expense for re-organizations | (56,112) | (25,566) |
| Other non-recurring income (expense) | 23 | 35 |
| **Total non-recurring income (expense)** | **(17,541)** | **40,784** |

Net gains included the sale of the Pontassieve cement plant for 13.2 million euro, the sale of the operations of Silos Granari della Sicilia for 8.4 million euro and the sale of a terminal in North America for 6.6 million euro.

In 2012 expense and net allowances set aside for re-organizations referred mainly to Italy, specifically Italcementi S.p.A. for 44.9 million euro and CTG for 6.3 million euro, and to Spain for 3.1 million euro.

## 30. Finance income (costs), exchange-rate differences and derivatives

Finance costs net of finance income and exchange-rate differences and derivatives were as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| (in thousands of euro) | Income | Costs | Income | Costs |
| Interest income | 12,228 | | 27,265 | |
| Interest expense | | (98,929) | | (108,758) |
| Dividends and other income from equity investments | 26,959 | | 26,036 | |
| Other finance income | 18,978 | | 20,283 | |
| Capitalized finance costs | | 1,322 | | 670 |
| Other finance costs | | (43,508) | | (47,709) |
| **Total finance income (costs)** | **58,165** | **(141,115)** | **73,584** | **(155,797)** |
| Gains/(losses) on interest-rate derivatives | | (5,938) | | (6,852) |
| Gains/(losses) on exchange-rate derivatives | 36,242 | | | (11,071) |
| Net exchange-rate differences | | (31,824) | 569 | |
| **Net exchange-rate differences and derivatives** | **-** | **(1,520)** | **-** | **(17,354)** |
| **Total finance income (costs), exchange-rate differences and derivatives** | | **(84,470)** | | **(99,567)** |

Other income from equity investments included the net gain of 25.6 million euro from the sale of Goltas shares – Turkey.

## 31. Income tax expense

Income tax expense for the period was 146,168 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change |
|---|---|---|---|
| Current tax | 116,925 | 97,638 | 19,287 |
| Deferred tax | 6,504 | (33,475) | 39,979 |
| Prior-year tax and net non-recurring tax items | 22,739 | 4,908 | 17,831 |
| **Total** | **146,168** | **69,071** | **77,097** |

In Italy, the IRES rate applied by the parent on estimated taxable income for the year was 27.5%, as in 2011. Taxes for Group companies in other countries are calculated using local tax rates.
The reconciliation between the tax charge reflected in the income statement and the theoretical tax charge does not consider IRAP, since IRAP uses a taxable base other than profit before tax.

The reconciliation between the theoretical tax charge, determined using theoretical tax rates applicable in Italy, and the effective tax charge reflected in the income statement is set out below:

| (in thousands of euro) | **2012** |
|---|---|
| Consolidated profit before tax | (224,224) |
| *Applicable IRES tax rate %* | *27.5%* |
| **Theoretical tax charge** | **(61,662)** |
| Effect of difference between parent tax rate and tax rate for the other companies (1) | 7,335 |
| Effect of tax rate reduction for tax relief/allowances | (13,426) |
| Tax effect on permanent differences | 86,507 |
| Net effect for the year of unrecognized deferred taxes on temporary differences(2) | 94,102 |
| Effect of change in tax rates | - |
| Withholdings at sources | 4,716 |
| Effect of change in estimate on previously recognized / unrecognized deferred tax | 29,602 |
| Other taxes | (2) |
| **Tax on profit for the period reflected in income statement, excluding IRAP (a)** | **147,172** |
| *Effective tax rate, excluding IRAP and other tax items not related to the period's income* | |
| Other tax items not related to the period's income (b) | (3,573) |
| **IRAP (c)** | **2,569** |
| **Tax on profit for the period reflected in income statement (a+b+c)** | **146,168** |
| *Effective tax rate* | *n.s.* |

*n.s. = not significant*

(1) The difference between the Italian tax rate for the parent and the rates in the foreign countries where the Group operates refers mainly to France, Belgium and the USA.
(2) Refers mainly to unrecognized deferred tax assets on losses for the period in Italy, the USA and Spain.

## 32. Profit (loss) relating to discontinued operations

### Afyon – Turkey

On May 31, 2012 the Group sold the Turkish company Afyon to third parties; the net sale price of 24.2 million euro generated a consolidated net gain of 0.2 million euro.

### Fuping Cement – China

On June 26, 2012 the Group sold its entire interest in Fuping Cement to West China Cement, a holding listed in Hong Kong, against a reserved capital increase for a share of approximately 6.25%; the market value of the West China Cement shares on the sale date was 44.0 million euro, the transaction generated a consolidated net gain of 12.8 million euro.

The income statement and the statement of cash flows of the discontinued Afyon and Fuping operations are set out below:

| (in millions of euro) | | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| **Income statement** | **Afyon** | **Fuping** | **Afyon** | **Fuping** |
| Revenue | 1.6 | 8.4 | 20.1 | 43.1 |
| Recurring EBITDA | (0.5) | (2.1) | (1.7) | (2.1) |
| EBITDA | (0.5) | (2.1) | (1.7) | (2.1) |
| EBIT | (0.9) | (3.3) | (3.3) | (6.6) |
| Profit (loss) before tax | (0.8) | (4.2) | (2.9) | (9.5) |
| Income tax expense | - | - | 0.1 | 0.2 |
| **Profit (loss) relating to discontinued operations** | **(0.8)** | **(4.2)** | **(2.8)** | **(9.3)** |
| Attributable to: | | | | |
| Owners of the parent | (0.3) | (3.5) | (1.2) | (7.8) |
| Non-controlling interests | (0.5) | (0.7) | (1.6) | (1.5) |

In the IFRS 5 income statement for 2011 the line "Profit (loss) relating to discontinued operations" was 94.8 million euro and included the sale of Set Group for 106.9 million euro.

| (in millions of euro) | | | | | |
|---|---|---|---|---|---|
| | 2012 | | 2011 | | |
| **Statement of cash flows** | **Afyon** | **Fuping** | **Set Group** | **Afyon** | **Fuping** |
| Cash flow from operating activities | (1.2) | 1.1 | - | (1.9) | (10.5) |
| Cash flow from divesting (investing) activities | (0.1) | (0.7) | - | (1.2) | (2.7) |
| Cash flow from financing activities | - | 11.6 | - | (0.5) | 17.0 |
| Proceeds from sales | 22.8 | (1.7) | - | - | - |
| Sold cash and cash equivalents | (2.6) | (22.8) | 262.2 | - | - |
| Translation differences | 0.2 | (0.2) | (5.3) | (1.2) | 0.9 |
| **Net cash flows from discontinued operations** | **19.2** | **(12.8)** | **256.9** | **(4.8)** | **4.8** |

At December 31, 2011, the contribution to the consolidated statement of financial position of discontinued operations in 2012 was as follows:

| (in millions of euro) | | |
|---|---|---|
| | **Afyon** | **Fuping** |
| Non-current assets | 22.7 | 69.2 |
| Current assets | 10.4 | 24.5 |
| Equity | 29.3 | 46.9 |
| Non-current liabilities | 1.2 | - |
| Current liabilities | 2.6 | 46.8 |

## 33. Other comprehensive income

| (in thousands of euro) | Gross amount | Tax | Net amount |
|---|---|---|---|
| **Other comprehensive income at December 31, 2011** | **15,074** | **(1,454)** | **13,620** |
| Fair value gains (losses) on: | | | |
| Available-for-sale financial assets | (23,858) | - | (23,858) |
| Derivatives | (28,970) | 2,256 | (26,714) |
| Translation differences | (92,631) | - | (92,631) |
| Portion of other comprehensive income (expense) of equity accounted investees | (491) | - | (491) |
| **Other comprehensive income (expense)** | (145,950) | 2,256 | (143,694) |
| **Other comprehensive income (expense) at December 31, 2012** | **(130,876)** | **802** | **(130,074)** |

## 34. Earnings per share

Earnings per share are determined on the profit for the period attributable to owners of the parent, and are stated separately for ordinary shares and savings shares.

### Basic earnings per share

Basic earnings per share are computed by dividing profit for the period attributable to ordinary and savings shareholders by the weighted average number of outstanding ordinary and savings shares for the period. Earnings per savings share are increased with respect to earnings per ordinary shares by an amount equivalent to 3% of the share nominal value.

The weighted average number of shares and attributable profit are shown below:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| (n° shares in thousands) | **ordinary shares** | **savings shares** | **ordinary shares** | **savings shares** |
| N° shares at beginning of period | 177,118 | 105,431 | 177,118 | 105,431 |
| Treasury shares at beginning of period | (3,793) | (106) | (3,793) | (106) |
| Weighted average number of treasury shares purchased in period | - | - | - | - |
| Weighted average number of treasury shares sold in period | - | - | - | - |
| **Weighted average number of shares at end of period** | **173,325** | **105,326** | **173,325** | **105,326** |
| (in thousands of euro) | | | | |
| **Attributable profit (loss) for the period** | **(248,182)** | **(147,655)** | **(3,923)** | **776** |
| **Basic earnings per share** | **-1.432** | **-1.402** | **-0.023** | **0.007** |
| **Profit (loss) attributable to continuing operations** | **(252,559)** | **(150,315)** | **(53,794)** | **(29,530)** |
| (euro) | | | | |
| **Basic earnings per share attributable to continuing operations** | **-1.457** | **-1.427** | **-0.310** | **-0.280** |

## Diluted earnings per share

Diluted earnings per share are computed in the same way as basic earnings per share, taking account of the dilutive effect of stock options; in 2012 this effect was zero.

The weighted average number of shares and attributable profit are set out below:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| (n° shares in thousands) | ordinary shares | savings shares | ordinary shares | savings shares |
| Weighted average number of shares at end of period | 173,325 | 105,326 | 173,325 | 105,326 |
| Dilutive effect of stock options | - | - | - | - |
| **Weighted average number of shares at end of period** | **173,325** | **105,326** | **173,325** | **105,326** |
| (in thousands of euro) | | | | |
| **Attributable profit (loss) for the period for diluted earnings per share** | **(248,182)** | **(147,655)** | **(3,923)** | **776** |
| (euro) | | | | |
| **Diluted earnings per share** | **-1.432** | **-1.402** | **-0.023** | **0.007** |
| | | | | |
| **Profit (loss) attributable to continuing operations** | **(252,559)** | **(150,315)** | **(53,794)** | **(29,530)** |
| (euro) | | | | |
| **Diluted earnings per share attributable to continuing operations** | **-1.457** | **-1.427** | **-0.310** | **-0.280** |

## 35. Transactions with related parties

Transactions with related parties in 2012 and 2011 are illustrated below:

| **2012**<br>(in thousands of euro) | Revenue (purchases) goods and services | Other income (expense) | Interest income (expense) | Trade and other receivables (payables) | Financial receivables (payables) |
|---|---|---|---|---|---|
| Parent | 252 | - | 1 | 89,216 | 126 |
| | (4,884) | - | (13) | (11,348) | - |
| Subsidiaries | 9,415 | - | - | 2,915 | - |
| of parent (*) | (22) | - | - | (9) | - |
| Subsidiaries | 53,987 | - | 638 | 8,691 | 45,532 |
| and associates | (33,762) | (1,009) | (129) | (5,147) | (376) |
| Other related parties | 166 | 25 | - | 529 | - |
| | (1,688) | (42) | - | (526) | - |
| **Total** | **63,820** | **25** | **639** | **101,351** | **45,658** |
| | **(40,356)** | **(1,051)** | **(142)** | **(17,030)** | **(376)** |
| % impact on financial statements items | 1.4% | 0.0% | 1.1% | 7.4% | 7.6% |
| | 1.0% | 2.7% | 0.1% | 1.4% | 0.0% |

(*) subsidiaries of Italmobiliare S.p.A.

| **2011**<br>(in thousands of euro) | **Revenue (purchases) goods and services** | **Other income (expense)** | **Interest income (expense)** | **Trade and other receivables (payables)** | **Financial receivables (payables)** |
|---|---|---|---|---|---|
| Parent | 322 | - | 1 | 115,542 | - |
| | (4,869) | - | (15) | (6,551) | (612) |
| Subsidiaries | 8,185 | - | - | 2,267 | - |
| of parent (*) | (22) | - | - | (22) | - |
| Subsidiaries | 63,207 | 25 | 555 | 15,063 | 38,619 |
| and associates | (35,799) | (1,020) | (148) | (5,156) | (512) |
| Other related parties | 178 | 30 | - | 63 | - |
| | (1,614) | - | - | (164) | - |
| **Total** | **71,892** | **55** | **556** | **132,935** | **38,619** |
| | **(42,304)** | **(1,020)** | **(163)** | **(11,893)** | **(1,124)** |
| % impact on financial statements items | 1.5% | 0.1% | 0.8% | 9.2% | 5.9% |
| | 1.1% | 3.6% | 0.1% | 0.9% | 0.0% |

(*) subsidiaries of Italmobiliare S.p.A.

Receivables and payables in respect of the parent Italmobiliare S.p.A. mainly refer to the effects of the tax consolidation.
Revenue from and purchases of goods and services with respect to subsidiaries and associates mainly concern transactions with companies consolidated proportionately, notably Société des Carrieres du Tournaisis, Les Calcaires Girondins S.a.s., Medcem S.r.l., Atlantica de Graneles and Société Parisienne des Sablières S.A., and with companies measured with the equity method, including the Ciments Quebec Inc. group, Vassiliko Cement Ltd. and Cementi della Lucania S.p.A..
Details of other transactions with other related parties are provided in the section "Transactions with other related parties" in the Directors' report.
Dividends paid to the parent Italmobiliare S.p.A. by the Italcementi Group in 2012 amounted to 14,485 thousand euro.

## 35.1 Compensation to managers with strategic responsibilities

The table below sets out compensation paid during the year to managers with strategic responsibilities: the directors, the chief operating officer and the manager in charge of preparing the financial reports of Italcementi S.p.A. for positions held in the Group:

| (in thousands of euro) | **2012** | **2011** |
|---|---|---|
| Short-term benefits: compensation and remuneration | 11,242 | 11,813 |
| Post-employment benefits: provision for leaving and end-of-term entitlements | 1,278 | 1,260 |
| Other long-term benefits: length-of-service bonuses and incentives | 3,624 | 3,624 |
| Share-based payments (stock options) | - | 3 |
| **Total** | **16,144** | **16,700** |

## 36. Joint ventures

The Group's most significant joint ventures in 2012 were French construction materials companies, the Medcem S.r.l. shipping company and the Saudi Arabian company International City for Ready Mix, active in the ready mixed concrete industry.

The following table sets out the portion of assets and liabilities and revenues and expense reflected in the Group consolidated financial statements:

| (in millions of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Current assets | 35.2 | 30.7 |
| Non-current assets | 94.8 | 92.0 |
| **Total assets** | **130.0** | **122.7** |
| Current liabilities | 25.6 | 23.3 |
| Non-current liabilities | 14.9 | 14.4 |
| **Total liabilities** | **40.5** | **37.7** |
| | **2012** | **2011** |
| Revenue | 43.2 | 43.4 |
| Expense | (42.0) | (44.6) |
| **Profit (loss) before tax** | **1.2** | **(1.2)** |

## 37. Statement of cash flows

### 37.1 Cash and cash equivalents

Cash and cash equivalents include:

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **Bank/postal demand accounts and cash on hand** | **120,488** | **103,683** |
| of which held by: Italcementi S.p.A. | 1,424 | 479 |
| Ciments Français S.A. | 614 | 3,008 |
| Other Group companies | 118,450 | 100,196 |
| **Mutual funds** | **217,842** | **251,962** |
| of which held by: Italcementi Finance S.A. | 7,886 | 19,566 |
| Ciments Français S.A. | 145,517 | 151,990 |
| Other Group companies | 64,439 | 80,406 |
| **Short-term deposits** | **240,058** | **257,689** |
| of which held by: Other Group companies | 240,058 | 257,689 |
| **Total** | **578,388** | **613,334** |

Short-term deposits have varying maturities within three months, in relation to the Group's cash requirements; interest accrues at the respective short-term rates.
As a result of laws in force in Egypt, Morocco, Thailand and India, the cash and cash equivalents of the Group companies in those countries are not immediately available to the holding Ciments Français S.A.; at December 31, 2012 they amounted to 336.5 million euro (368.1 million euro at December 31, 2011).

## 37.2 Equity investments net of cash acquisitions

The table below itemizes the main equity investments included in the corresponding item on the statement of cash flows:

| (in millions of euro) | 2012 | 2011 |
|---|---|---|
| **Company** | | |
| Commerciale Inerti - Italy | - | 2.3 |
| Others | 0.5 | 0.3 |
| **Total** | **0.5** | **2.6** |

Equity investments are shown net of the cash of the acquired companies and the change in payables for equity investment purchases.

## 37.3 Proceeds from the sale of non-current assets

The main proceeds of 2012 were those realized on the full sale of Goltas shares for 45.7 million euro and the sale of Silos Granari della Sicilia for 8.0 million euro.

## 37.4 Change in working capital

The change in working capital is illustrated in the table below:

| (in thousands of euro) | 2012 | 2011 |
|---|---|---|
| Change in inventories | 15,945 | (18,350) |
| Change in trade receivables | 101,810 | (30,739) |
| Change in trade payables | 1,185 | 29,503 |
| Change in other assets/liabilities | (6,990) | 4,678 |
| **Total** | **111,950** | **(14,908)** |

## 38 Non-recurring transactions

The following tables itemize the most significant non-recurring transactions and their impact on the Group's equity, financial position and results of operations:

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Equity | | Profit for the period | | Net debt | |
| (in thousands of euro) | amount | % | amount | % | amount | % |
| **Carrying amounts** | **4,239,847** | 100% | **(362,400)** | 100% | **1,998,256** | 100% |
| Net gains from the sale of non-current assets | 38,548 | 0.9% | 38,548 | 10.6% | 49,669 | 2.5% |
| Non-recurring expense for re-organizations | (56,112) | 1.3% | (56,112) | 15.5% | - | 0.0% |
| Other non-recurring income (expense) | 23 | 0.0% | 23 | 0.0% | - | 0.0% |
| Discontinued operations | 7,992 | 0.2% | 7,992 | 2.2% | 44,236 | 2.2% |
| **Total non-recurring transactions** | **(9,549)** | **0.2%** | **(9,549)** | **2.6%** | **93,905** | **4.7%** |
| **Figurative amount without non-recurring transactions** | **4,249,396** | | **(352,851)** | | **2,092,161** | |

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| (in thousands of euro) | 2011 Equity | | Profit for the period | | Net debt | |
|---|---|---|---|---|---|---|
| | amount | % | amount | % | amount | % |
| **Carrying amounts** | **4,894,891** | 100% | **91,154** | 100% | **2,093,015** | 100% |
| Net gains from the sale of non-current assets | 66,315 | 1.4% | 66,315 | 72.8% | 103,988 | 5.0% |
| Non-recurring expense for re-organizations | (25,566) | 0.5% | (25,566) | 28.0% | - | 0.0% |
| Other non-recurring income (expense) | 35 | 0.0% | 35 | 0.0% | - | 0.0% |
| Tax on non-recurring transactions | (5,972) | 0.1% | (5,972) | 6.6% | - | 0.0% |
| Discontinued operations | 94,770 | 2.2% | 94,770 | n.s. | 259,174 | 13.0% |
| **Total non-recurring transactions** | **129,582** | **3.1%** | **129,582** | **-35.8%** | **363,162** | **18.2%** |
| **Figurative amount without non-recurring transactions** | **4,765,309** | | **(38,428)** | | **2,456,177** | |

## 39 Audit fees

(as per CONSOB Resolution no.11971, 14 May 1999, art. 149-duodecies, par 1):

Details of the fees paid by the Italcementi Group in financial year 2012 to the Independent Auditors KPMG S.p.A. and to the companies of the KPMG network are set out below:

| **Services provided to the Group** (in thousands of euro) | **KPMG S.p.A.** | **Other Italian companies in the KPMG network** | **Other international companies in the KPMG network** |
|---|---|---|---|
| Auditing services | 695 | - | 1,112 |
| Other attestation services | 110 | - | 63 |
| Other legal, fiscal and corporate services | - | 176 | 32 |
| **Total** | **805** | **176** | **1,207** |

## 40. Events after December 31, 2012

No significant events have taken place since closure of the financial year whose effects require amendments to or additional comments on the Group's financial position and results of operations as at and for the year ended December 31, 2012.

Bergamo March 5, 2013

For the Board of Directors
The Chairman
Giampiero Pesenti

Italcementi
Italcementi Group

# Annexes

## Annex 1

The following table shows investments held in unlisted companies when such investments exceed 10% of the companies' voting capital; it also indicates the consolidation method.

| Company | Registered office | | Share capital | | Interest held by Group companies | | | | Method |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | % | | |
| Parent company | | | | | | | | | |
| **Italcementi S.p.A.** | Bergamo | I | € | 282,548,942.00 | | | | | Line-by-line |
| Aliserio S.r.l. | Bergamo | I | € | 2,270,000.00 | 90.00 | - | 90.00 | Italcementi S.p.A. | Line-by-line |
| Azienda Agricola Lodoletta S.r.l. | Bergamo | I | € | 10,400.00 | 75.00 | - | 75.00 | Italcementi S.p.A. | |
| B2E Markets France S.A.R.L. | Paris | F | € | 20,000.00 | - | 100.00 | 100.00 | BravoSolution US, Inc. | Line-by-line |
| BravoBloc S.r.l. | Bergamo | I | € | 300,000.00 | 70.00 | - | 70.00 | Italcementi S.p.A. | Line-by-line |
| BravoBus S.r.l. | Bergamo | I | € | 600,000.00 | - | 51.00 | 51.00 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution Benelux B.V. | Almere | NL | € | 250,000.00 | - | 100.00 | 100.00 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution Brasil Serviços de Tecnologia Ltd.a | Sao Paulo | BR | BRL | 500,000.00 | - | 100.00 | 100.00 | BravoSolution Mexico S.r.l. de C.V. | Line-by-line |
| BravoSolution China Co. Ltd. | Shanghai | PRC | CNY | 80,000.00 | - | 100.00 | 100.00 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution Espana S.A. | Madrid | E | € | 120,400.00 | - | 99.99 | 99.99 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution France S.a.s. | Boulogne Billancourt | F | € | 3,254,150.00 | - | 100.00 | 100.00 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution GmbH | Munich | D | € | 1,000,000.00 | - | 100.00 | 100.00 | Bravosolution S.p.A. | Line-by-line |
| BravoSolution Mexico S.r.l. de C.V. | Mexico City | MEX | MXN | 3,200,000.00 | - | 100.00 | 99.99 | BravoSolution S.p.A. | Line-by-line |
| | | | | | | | 0.01 | BravoSolution Espana S.A. | |
| BravoSolution S.p.A. | Bergamo | I | € | 32,286,398.00 | 75.34 | - | 75.34 | Italcementi S.p.A. | Line-by-line |
| BravoSolution Software, Inc. | Wilmington | USA | - | - | - | 100.00 | 100.00 | BravoSolution US, Inc. | Line-by-line |
| BravoSolution UK Ltd. | London | GB | GBP | 50,000.00 | - | 100.00 | 100.00 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution US, Inc. | Harrisburg | USA | USD | 1.00 | - | 100.00 | 100.00 | BravoSolution S.p.A. | Line-by-line |
| BravoSolution Technologies Ltd. | Guildford | GB | GBP | 50,000.00 | - | 100.00 | 100.00 | BravoSolution US, Inc. | Line-by-line |
| C.T.G. S.p.A. | Bergamo | I | € | 500,000.00 | 50.00 | 50.00 | 50.00 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 50.00 | Ciments Français S.A. | |
| C.T.G. Devnya EAD | Devnya | BUL | BGN | 200,000.00 | - | 100.00 | 100.00 | C.T.G. S.p.A. | Line-by-line |
| Calcementi Jonici S.r.l. | Siderno (RC) | I | € | 3,513,741.00 | 99.90 | 0.10 | 99.90 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 0.10 | Italcementi Ingegneria S.r.l. | |
| Calcestruzzi S.p.A. | Bergamo | I | € | 40,000,000.00 | 99.90 | 0.10 | 99.90 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 0.10 | Italcementi Ingegneria S.r.l. | |
| Cava delle Capannelle S.r.l. | Bergamo | I | € | 31,200.00 | - | 49.00 | 49.00 | Calcestruzzi S.p.A. | |
| Cementi della Lucania S.p.A. | Potenza | I | € | 619,746.00 | 30.00 | - | 30.00 | Italcementi S.p.A. | Equity |
| Commerciale Inerti S.r.l. | Casalpusterlengo (LO) | I | € | 52,000.00 | - | 33.00 | 33.00 | Esa Monviso S.p.A. | Equity |
| E.S.A. Monviso S.p.A. | Bergamo | I | € | 1,340,000.00 | - | 100.00 | 100.00 | Calcestruzzi S.p.A. | Line-by-line |
| Ecoinerti S.r.l. | Recanati (MC) | I | € | 91,800.00 | - | 50.00 | 50.00 | Calcestruzzi S.p.A. | Proportionate |
| Gardawind S.r.l. | Vipiteno (BZ) | I | € | 100,000.00 | - | 49.00 | 49.00 | Italgen S.p.A. | Equity |
| Generalcave S.r.l. | Fiumicino (RM) | I | € | 31,200.00 | - | 50.00 | 50.00 | Calcestruzzi S.p.A. | Equity |
| Gruppo Italsfusi S.r.l. | Bergamo | I | € | 156,000.00 | 99.50 | 0.50 | 99.50 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 0.50 | Italcementi Ingegneria S.r.l. | |
| i.FotoGuiglia S.r.l. | Turin | I | € | 14,290.00 | - | 30.00 | 30.00 | Italgen S.p.A. | Equity |
| I.GE.PO. - Impresa Gestione Porti S.r.l. - winding up | Vibo Valentia | I | € | 25,500.00 | 18.00 | - | 18.00 | Italcementi S.p.A. | |
| Ing. Sala S.p.A. | Sorisole (BG) | I | € | 5,858,722.00 | - | 100.00 | 99.90 | Nuova Sacelit S.r.l. | Line-by-line |
| | | | | | | | 0.10 | Italcementi Ingegneria S.r.l. | |
| International City for Ready Mix | Jeddah | SA | SAR | 100,000,000.00 | 50.00 | - | 50.00 | Italcementi S.p.A. | Proportionate |
| Italcementi Finance | Puteaux | F | € | 20,000,000.00 | 99.99 | - | 99.99 | Italcementi S.p.A. | Line-by-line |
| Italcementi Ingegneria S.r.l. | Bergamo | I | € | 650,000.00 | 100.00 | - | 100.00 | Italcementi S.p.A. | Line-by-line |
| Italgen Maroc Ener S.A. | Casablanca | MAR | MAD | 33,500,000.00 | - | 100.00 | 99.99 | Italgen S.p.A. | Line-by-line |
| | | | | | | | 0.01 | Procimar S.A. | |
| Italgen Maroc S.A. | Casablanca | MAR | MAD | 1,800,000.00 | - | 99.87 | 99.87 | Italgen S.p.A. | Line-by-line |
| Italgen Misr for Energy SAE | Cairo | EGY | LE | 35,000,000.00 | - | 100.00 | 98.00 | Italgen S.p.A. | Line-by-line |
| | | | | | | | 1.00 | Helwan Cement Co. | |
| | | | | | | | 1.00 | Suez Cement Company SAE | |

| Company | Registered office | | Share capital | | Interest held by Group companies Direct | Indirect | % | | Method |
|---|---|---|---|---|---|---|---|---|---|
| Italgen S.p.A. | Bergamo | I | € | 20,000,000.00 | 99.90 | 0.10 | 99.90 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 0.10 | Italcementi Ingegneria S.r.l. | |
| Italterminali S.r.l. | Bergamo | I | € | 10,000.00 | 99.50 | 0.50 | 99.50 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 0.50 | Italcementi Ingegneria S.r.l. | |
| Les Ciments de Zouarine S.A. - in liq. | Tunis | TN | TND | 80,000.00 | 49.93 | - | 49.93 | Italcementi S.p.A. | |
| Mantovana Inerti S.r.l. | Castiglione delle Stiviere (MN) | I | € | 702,000.00 | - | 50.00 | 50.00 | Calcestruzzi S.p.A. | Proportionate |
| Nuova Sacelit S.r.l. | Sorisole (BG) | I | € | 7,500,000.00 | 100.00 | - | 100.00 | Italcementi S.p.A. | Line-by-line |
| Procalmi S.r.l. - winding up | Milan | I | € | 51,000.00 | - | 11.52 | 11.52 | Calcestruzzi S.p.A. | |
| S.A.F.R.A. S.r.l. - winding up | Bologna | I | € | 51,480.00 | - | 33.33 | 33.33 | Calcestruzzi S.p.A. | Equity |
| SAMA S.r.l. | Bergamo | I | € | 1,000,000.00 | 99.00 | 1.00 | 99.00 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 1.00 | Italcementi Ingegneria S.r.l. | |
| San Francesco S.c.a r.l. | Foligno (PG) | I | € | 5,000,000.00 | - | 40.00 | 40.00 | Calcestruzzi S.p.A. | |
| Shqiperia Cement Company Shpk | Tirana | ALB | LEK | 74,250,000.00 | 100.00 | - | 100.00 | Italcementi S.p.A. | Line-by-line |
| Société Internationale Italcementi (Luxembourg) S.A. | Luxembourg | L | € | 1,771,500.00 | 99.87 | 0.13 | 99.87 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 0.13 | Italcementi Ingegneria S.r.l. | |
| SO.RI.TE. S.r.l. | Turin | I | € | 100,000.00 | - | 25.00 | 25.00 | Calcestruzzi S.p.A. | |
| Star.co S.r.l. | Bergamo | I | € | 118,000.00 | 100.00 | - | 100.00 | Italcementi S.p.A. | Line-by-line |
| TejariSolution FZ LLC | Dubai | EAU | AED | 100,000.00 | - | 51.00 | 51.00 | BravoSolution S.p.A. | Line-by-line |
| Vert Tech LLC | Wilmington | USA | - | - | - | 100.00 | 100.00 | BravoSolution US, Inc. | Line-by-line |
| Ciments Français S.A. | Puteaux | F | € | 143,192,544.00 | 83,16 | 1.02 | 83.16 | Italcementi S.p.A. | Line-by-line |
| | | | | | | | 1.02 | Ciments Français S.A. | |
| | | | | | | | | (voting rights: | |
| | | | | | | | 91.12 | Italcementi S.p.A.) | |
| 3092-0631 Quebec Inc. | St. Basile | CAN | CAD | 6,250.00 | - | 100.00 | 100.00 | Ciment Quebec Inc. | Equity |
| Al Badia Cement JSC | Damascus | SY | SYP | 12,200,000,000.00 | - | 12.00 | 12.00 | Menaf S.a.s. | |
| Al Mahaliya Ready Mix Concrete WLL | Safat | KWT | KWD | 500,000.00 | - | 51.00 | 51.00 | Hilal Cement Company | Line-by-line |
| Al Manar Cement Holding S.a.s. | Puteaux | F | € | 3,300,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Arrowhead Investment Company | Carson City | USA | USD | 1,000.00 | - | 100.00 | 100.00 | Essroc Corporation | Line-by-line |
| Asia Cement Energy Conservation Ltd. | Bangkok | TH | BT | 1,400,000,000.00 | - | 39.52 | 39.52 | Asia Cement Public Co., Ltd. (*) | Line-by-line |
| Asia Cement Products Co., Ltd. | Bangkok | TH | BT | 10,000,000.00 | - | 39.53 | 39.53 | Asia Cement Public Co., Ltd. (*) | Line-by-line |
| Asia Cement Public Co., Ltd. | Bangkok | TH | BT | 4,670,523,072.00 | - | 39.53 | 25.43 | Ciments Français S.A. | Line-by-line |
| | | | | | | | 14.10 | Vaniyuth Co. Ltd. (*) | |
| Asment Temara S.A. | Temara | MAR | MAD | 495,000,000.00 | - | 37.02 | 19.93 | Procimar S.A. | Equity |
| | | | | | | | 17.09 | Ciments Français S.A. | |
| Atlantica de Graneles y Moliendas S.A. | Vizcaya | E | € | 5,000,000.00 | - | 50.00 | 50.00 | Sociedad Financiera y Minera S.A. | Proportionate |
| Axim for Industrials SAE | Cairo | EGY | LE | 15,000,000.00 | - | 100.00 | 90.00 | Suez Cement Company SAE | Line-by-line |
| | | | | | | | 5.00 | Helwan Cement Co. | |
| | | | | | | | 5.00 | Tourah Portland Cement Company SAE | |
| Betomar S.A. | Casablanca | MAR | MAD | 84,397,800.00 | - | 99.99 | 99.99 | Ciments du Maroc S.A. | Line-by-line |
| Beton.Ata LLP | Almaty | KAZ | TEN | 416,966,426.00 | - | 75.50 | 75.50 | Shymkent Cement | Line-by-line |
| Béton Contrôle de Gascogne S.A. | Soorts Hossegor | F | € | 40,000.00 | - | 37.00 | 37.00 | Béton Contrôle du Pays Basque S.a.s. | |
| Béton Contrôle de l'Adour S.a.s. | Bayonne | F | € | 150,000.00 | - | 59.96 | 59.96 | Béton Contrôle du Pays Basque S.a.s. | Line-by-line |
| Béton Contrôle des Abers S.a.s. | Lannilis | F | € | 104,000.00 | - | 34.00 | 34.00 | Unibéton S.a.s. | Equity |
| Béton Contrôle du Pays Basque S.a.s. | Bayonne | F | € | 120,000.00 | - | 59.98 | 59.98 | Unibéton S.a.s. | Line-by-line |
| Bonafini S.a.s. | Argences | F | € | 45,392.00 | - | 100.00 | 96.79 | Tratel S.a.s. | Line-by-line |
| | | | | | | | 3.21 | Larricq S.a.s. | |
| Cambridge Aggregates Inc. | Cambridge | CAN | CAD | 10.00 | - | 60.00 | 60.00 | Essroc Canada Inc. | Line-by-line |
| Canteras Aldoyar S.L. | Olazagutia | E | € | 1,508,510.00 | - | 20.00 | 20.00 | Hormigones y Minas S.A. | |
| Capitol Cement Corporation | Winchester | USA | USD | 1,000,000.00 | - | 100.00 | 100.00 | Riverton Investment Corporation | Line-by-line |
| Carrières Bresse Bourgogne | Epervans | F | € | 387,189.00 | - | 66.48 | 66.48 | Dragages et Carrières S.A. | Proportionate |
| Centro Administrativo y de Servicios de Malaga S.A. | Malaga | E | € | 60,200.00 | - | 99.99 | 99.99 | Sociedad Financiera y Minera S.A. | Line-by-line |
| Cie pour l'Investissement Financier en Inde S.a.s. | Puteaux | F | € | 7,350,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |

| Company | Registered office | | Share capital | | Interest held by Group companies | | | | Method |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | % | | |
| Ciment Quebec Inc. | St. Basile | CAN | CAD | 19,461,161.70 | - | 100.00 | 100.00 | Groupe Ciment Quebec Inc. | Equity |
| Cimento de Bissau Limitada | Guinea Bissau | GNB | XOF | 2,000,000.00 | - | 99.00 | 99.00 | Tercim S.A. | |
| Ciment du Littoral S.A. | Bassens | F | € | 37,000.00 | - | 99.99 | 99.99 | Ciments Calcia S.a.s. | Line-by-line |
| Ciments Calcia S.a.s. | Guerville | F | € | 593,836,525.00 | - | 99.99 | 99.99 | Ciments Français S.A. | Line-by-line |
| Ciments du Maroc S.A. | Casablanca | MAR | MAD | 1,443,600,400.00 | - | 62.31 | 58.79 | Cocimar S.a.s. | Line-by-line |
| | | | | | | | 3.52 | Procimar S.A. | |
| Ciments du Nord | Nouadhibou | MAU | OUG | 1,340,000,000.00 | - | 15.00 | 15.00 | Ciments du Maroc | |
| CIMFRA (China) Limited | Puteaux | F | € | 62,116,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Ciminter S.A. | Luxembourg | L | € | 53,800,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Cocimar S.a.s. | Puteaux | F | € | 72,957,690.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Codesib S.a.s. | Puteaux | F | € | 55,037,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Compagnie des Ciments Belges S.A. | Tournai | B | € | 295,031,085.00 | - | 100.00 | 78.52 | Ciments Français S.A. | Line-by-line |
| | | | | | | | 21.40 | Ciments Calcia S.a.s. | |
| | | | | | | | 0.08 | Compagnie Financière et de Participations S.A. | |
| Compagnie Financière et de Participations S.a.s. | Puteaux | F | € | 18,000,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Compania General de Canteras S.A. | Malaga | E | € | 479,283.69 | - | 99.41 | 96.12 | Sociedad Financiera y Minera S.A. | Line-by-line |
| | | | | | | | 3.29 | Sax S.a.s. | |
| Conglomerantes Hidraulicos Especiales S.A. | Malaga | E | € | 2,361,960.00 | - | 85.00 | 85.00 | Sociedad Financiera y Minera S.A. | Line-by-line |
| De Paepe Béton N.V. | Ghent | B | € | 500,000.00 | - | 99.99 | 99.99 | Compagnie des Ciments Belges S.A. | Line-by-line |
| DECOM Egyptian Co for Development of Building Materials SAE | Cairo | EGY | LE | 63,526,401.28 | - | 100.00 | 100.00 | Universal Company for Ready Mix Concrete Production SAE | Line-by-line |
| Decoux S.a.s. | Beaucaire | F | € | 120,000.00 | - | 100.00 | 100.00 | Tratel S.a.s. | Line-by-line |
| Development for Industries Co. SAE | Cairo | EGY | LE | 15,000,000.00 | - | 100.00 | 90.00 | Suez Cement Company SAE | Line-by-line |
| | | | | | | | 5.00 | Helwan Cement Co. | |
| | | | | | | | 5.00 | Tourah Portland Cement Company SAE | |
| Devnya Bulk Services EAD | Devnya | BUL | LEV | 50,000.00 | - | 100.00 | 100.00 | Devnya Cement AD | |
| Devnya Cement AD | Devnya | BUL | LEV | 1,028,557.00 | - | 99.97 | 99.97 | Sociedad Financiera y Minera S.A. | Line-by-line |
| Devnya Finance A.D. | Devnya | BUL | LEV | 5,000,000.00 | - | 50.00 | 50.00 | Devnya Cement AD | Equity |
| Dobrotitsa BSK A.D. | Dobrich | BUL | LEV | 88,954.00 | - | 26.40 | 26.40 | Devnya Cement AD | |
| Dragages et Carrières DEC S.A. | Epervans | F | € | 1,000,000.00 | - | 49.99 | 49.99 | GSM S.a.s. | Proportionate |
| Dragages Transports & Travaux Maritimes S.A. | La Rochelle | F | € | 3,947,894.00 | - | 50.00 | 33.33 | GSM S.a.s. | Proportionate |
| | | | | | | | 16.67 | Granulats Ouest - GO | |
| Dunkerque Ajouts Snc | Paris | F | € | 6,000.00 | - | 33.75 | 33.75 | Ciments Calcia S.a.s. | |
| Ecocim S.a.s. | Casablanca | MAR | MAD | 2,000,000.00 | - | 55.00 | 30.00 | Ciments du Maroc S.A. | |
| | | | | | | | 25.00 | Asment Temara S.A. | |
| Entreprise Lorraine d'Agriculture ELDA S.A.R.L. | Heillecourt | F | € | 10,000.00 | - | 100.00 | 100.00 | GSM S.a.s. | |
| Essroc Canada Inc. | Mississauga | CAN | CAD | 221,306,574.00 | - | 100.00 | 100.00 | Essroc Corporation | Line-by-line |
| Essroc Cement Corp. | Nazareth | USA | USD | 8,330,000.00 | - | 100.00 | 100.00 | Essroc Corporation | Line-by-line |
| Essroc Corporation | Nazareth | USA | USD | 1,000.00 | - | 100.00 | 100.00 | Essroc International | Line-by-line |
| Essroc International | Puteaux | F | € | 244,398,096.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Essroc Ready Mix Corp | Nazareth | USA | USD | 1.00 | - | 100.00 | 100.00 | Essroc Cement Corp. | Line-by-line |
| Essroc San Juan Inc. | Espinosa | P.RICO | USD | 10,000.00 | - | 100.00 | 100.00 | Essroc Cement Corp. | Line-by-line |
| Eurarco France S.A. | Le Crotoy | F | € | 1,520,000.00 | - | 64.99 | 64.99 | GSM S.a.s. | Line-by-line |
| Eurocalizas S.L. | Cantabria | E | € | 723,030.00 | - | 33.33 | 33.33 | Hormigones y Minas S.A. | |
| Eurotech Cement S.h.p.k. | Durres | ALB | LEK | 273,214,000.00 | - | 84.00 | 84.00 | Halyps Building Materials S.A. | Line-by-line |
| Fraimbois Granulats S.A.R.L. | Moncel les Luneville | F | € | 75,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Gacem Company Limited | Serrekunda | GAM | GMD | 4,500,000.00 | - | 80.00 | 80.00 | Tercim S.A. | Line-by-line |
| Granulats de la Drôme S.a.s. | Saint Jean de Vedas | F | € | 645,600.00 | - | 51.01 | 51.01 | GSM S.a.s. | Line-by-line |
| Granulats Ouest - GO | Saint Herblain | F | € | 784,657.44 | - | 100.00 | 100.00 | GSM S.a.s. | Line-by-line |
| Graves de l'Estuaire de la Gironde L.G.E.G. | St. Jean de Blaignac | F | - | - | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Greyrock Inc. | Nazareth | USA | USD | 1,000.00 | - | 100.00 | 100.00 | Essroc Cement Corp. | Line-by-line |
| Groupe Ciment Quebec Inc. | St. Basile | CAN | CAD | 57,000,000.00 | - | 50.00 | 50.00 | Essroc Canada Inc. | Equity |
| GSM S.a.s. | Guerville | F | € | 18,675,840.00 | - | 99.99 | 99.99 | Ciments Français S.A. | Line-by-line |
| Gulbarga Cement Limited | Bengaluru | IN | INR | 231,257,000.00 | - | 74.00 | 74.00 | Zuari Cement Ltd. | Line-by-line |

| Company | Registered office | | Share capital | | Interest held by Group companies | | | | Method |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | % | | |
| Gulf Ready Mix Concrete Company WLL | Kuwait | KWT | KWD | 100,000.00 | - | 100.00 | 99.90 | Al Mahaliya Ready Mix Concrete WLL | Line-by-line |
| | | | | | | | 0.10 | Hilal Cement Company | |
| Halyps Building Materials S.A. | Aspropyrgos | GR | € | 48,821,060.64 | - | 99.91 | 59.89 | Ciments Français S.A. | Line-by-line |
| | | | | | | | 40.02 | Sociedad Financiera y Minera S.A. | |
| | | | | | | | | (voting rights: | |
| | | | | | | | 59.93 | Ciments Français S.A. | |
| | | | | | | | 39.99 | Sociedad Financiera y Minera S.A.) | |
| Helwan Cement Co. SAE | Cairo | EGY | LE | 583,875,425.00 | - | 99.47 | 99.47 | Suez Cement Company SAE | Line-by-line |
| Helwan Bags Company SAE | Helwan | EGY | LE | 6,000,000.00 | - | 71.00 | 70.00 | Helwan Cement Co. | Line-by-line |
| | | | | | | | 1.00 | Development for Industries Co. SAE | |
| Hilal Cement Company KSCC | Safat | KWT | KWD | 6,987,750.00 | - | 51.00 | 51.00 | Suez Cement Company SAE | Line-by-line |
| Hormigones Olatzi S.A. | Olazagutia | E | € | 283,804.22 | - | 25.00 | 25.00 | Hormigones y Minas S.A. | |
| Hormigones Txingudi S.A. | San Sebastian | E | € | 240,560.22 | - | 33.33 | 33.33 | Hormigones y Minas S.A. | |
| Hormigones y Minas S.A. | Malaga | E | € | 8,689,378.20 | - | 99.99 | 99.99 | Sociedad Financiera y Minera S.A. | Line-by-line |
| ICS Danube Cement S.r.l. | Chisinau | MD | MDL | 556,008.00 | - | 100.00 | 100.00 | Devnya Cement AD | Line-by-line |
| Immobilière des Technodes S.a.s. | Guerville | F | € | 8,024,400.00 | - | 100.00 | 59.97 | Ciments Français S.A. | Line-by-line |
| | | | | | | | 40.03 | Ciments Calcia S.a.s. | |
| Industrie Sakia el Hamra "Indusaha" S.A. | Laayoune | MAR | MAD | 81,680,000.00 | - | 91.00 | 91.00 | Ciments du Maroc | Line-by-line |
| Innocon Inc. | Richmond Hill | CAN | CAD | 18,300,000.20 | - | 50.00 | 50.00 | Essroc Canada Inc. | Equity |
| Innocon Partnership Agreement Inc. | Richmond Hill | CAN | CAD | 2,003.00 | - | 51.50 | 48.50 | Essroc Canada Inc | Equity |
| | | | | | | | 3.00 | Innocon Inc. | |
| Interbulk Egypt for Export SAE | Cairo | EGY | LE | 250,000.00 | - | 100.00 | 98.00 | Interbulk Trading S.A. | |
| | | | | | | | 1.00 | Menaf S.a.s. | |
| | | | | | | | 1.00 | Tercim S.A. | Line-by-line |
| Interbulk Trading S.A. | Lugano | CH | CHF | 7,470,600.00 | - | 100.00 | 85.00 | Ciminter S.A. | Line-by-line |
| | | | | | | | 15.00 | Italcementi Ingegneria S.r.l. | |
| Intercom Libya F.Z.C. | Misurata | LAR | USD | 100,000.00 | - | 100.00 | 100.00 | Intercom S.r.l. | |
| Intercom S.r.l. | Bergamo | I | € | 2,890,000.00 | - | 100.00 | 94.68 | Interbulk Trading S.A. | Line-by-line |
| | | | | | | | 4.84 | Italcementi S.p.A. | |
| | | | | | | | 0.48 | Italcementi Ingegneria S.r.l. | |
| Inversiones e Iniciativas en Aridos S.L. | Malaga | E | € | 3,010.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Investcim S.A. | Puteaux | F | € | 110,405,840.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Italcementi for Cement Manufacturing Libyian JS co | Tripoli | LAR | LYD | 20,000,000.00 | - | 50.00 | 50.00 | Al Manar Cement Holding S.a.s. | Proportionate |
| Italmed Cement Company Ltd. | Limassol | CYP | € | 21,063,780.00 | - | 100.00 | 100.00 | Halyps Building Materials S.A. | Line-by-line |
| Jalaprathan Cement Public Co, Ltd. | Bangkok | TH | BT | 1,200,000,000.00 | - | 58.97 | 12.42 | Asia Cement Public Co., Ltd. (*) | Line-by-line |
| | | | | | | | 37.00 | Ciments Français S.A. | |
| | | | | | | | 9.55 | Vesprapat Holding Co, Ltd. (*) | |
| Jalaprathan Concrete Products Co, Ltd. | Bangkok | TH | BT | 280,000,000.00 | - | 58.96 | 58.96 | Jalaprathan Cement Public Co, Ltd. (*) | Line-by-line |
| Johar S.a.s. | Luxemont et Villotte | F | € | 1,221,632.00 | - | 100.00 | 100.00 | Tratel S.a.s. | Line-by-line |
| Kuwait German Company for Ready Mix Concrete WLL | Kuwait | KWT | KWD | 824,000.00 | - | 100.00 | 99.00 | Al Mahaliya Ready Mix Concrete WLL | Line-by-line |
| | | | | | | | 1.00 | Hilal Cement Company | |
| Larricq S.a.s. | Airvault | F | € | 508,000.00 | - | 100.00 | 100.00 | Tratel S.a.s. | Line-by-line |
| Les Calcaires Girondins S.a.s. | Cenon | F | € | 100,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Les Calcaires Sud Charentes | Cherves Richemont | F | € | 1,524.50 | - | 34.00 | 34.00 | GSM S.a.s. | |
| Les Graves de l'Estuaire S.a.s. | Le Havre | F | € | 297,600.00 | - | 33.33 | 33.33 | GSM S.a.s. | Proportionate |
| Les Quatre Termes S.a.s. | Salon de Provence | F | € | 40,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Les Sables de Mezieres S.a.s | St Pierre des Corps | F | € | 40,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Les Sabliers de l'Odet S..a.s. | Quimper | F | € | 134,400.00 | - | 97.47 | 94.93 | Dragages Transports & Travaux Maritimes S.A. | Proportionate |
| | | | | | | | 2.54 | GSM S.a.s. | |
| Lyulyaka Materials E.A.D. | Devnya | BUL | LEV | 759,372.00 | - | 100.00 | 100.00 | Devnya Cement AD | Line-by-line |
| Mauritanienne des Batiments et Routes S.A. | Nouakchott | MAU | OUG | 690,000,000.00 | - | 99.99 | 99.99 | Mauritano-Française des Ciments | Line-by-line |
| Mauritano-Française des Ciments S.A. | Nouakchott | MAU | OUG | 1,111,310,000.00 | - | 51.11 | 51.11 | Ciments Français S.A. | Line-by-line |
| Medcem S.r.l. | Naples | I | € | 5,500,000.00 | - | 50.00 | 50.00 | Intercom S.r.l. | Proportionate |
| Menaf S.a.s. | Puteaux | F | € | 352,500,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| MTB - Maritime Trading & Brokerage Srl | Genoa | I | € | 70,000.00 | - | 33.33 | 33.33 | Interbulk Trading S.A. | Equity |

| Company | Registered office | | Share capital | | Interest held by Group companies | | | | Method |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Direct | Indirect | % | | |
| Naga Property Co | Bangkok | TH | BT | 100,000,000.00 | - | 58.96 | 58.96 | Jalaprathan Cement Public Co. Ltd. (*) | Line-by-line |
| Neuciclaje S.A. | Bilbao | E | € | 396,669.00 | - | 30.00 | 30.00 | Sociedad Financiera y Minera S.A. | |
| Novhorvi S.A. | Vitoria | E | € | 180,300.00 | - | 25.00 | 25.00 | Hormigones y Minas S.A. | |
| Parcib s.a.s. | Puteaux | F | € | 34,000,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Procimar S.A. | Casablanca | MAR | MAD | 37,500,000.00 | - | 99.99 | 99.99 | Ciments Français S.A. | Line-by-line |
| Riverton Corporation | Winchester | USA | USD | 859,310.00 | - | 100.00 | 100.00 | Riverton Investment Corporation | Line-by-line |
| Riverton Investment Corporation | Winchester | USA | USD | 8,340.00 | - | 100.00 | 100.00 | Essroc Cement Corp. | Line-by-line |
| Société Dijon Béton SA | Dijon | F | € | 184,000.00 | - | 15.00 | 15.00 | GSM S.a.s. | Equity |
| Saarlandische Zementgesellschaft MBH | Saarbrucken | D | € | 52,000.00 | - | 80.00 | 80.00 | Ciminter S.A. | Line-by-line |
| Sablimaris S.a.s. | Lanester | F | € | 4,094,776.00 | - | 100.00 | 66.28<br>33.72 | Dragages Transports & Travaux Maritimes S.A.<br>Les Sabliers de l'Odet | Proportionate |
| Sable Classifie et Equipement de Wilson Ltèe | Alcove | CAN | CAD | 12,100.00 | - | 100.00 | 100.00 | Essroc Canada Inc. | Line-by-line |
| Sas des Gresillons | Paris | F | € | 60,000.00 | - | 35.00 | 35.00 | GSM S.a.s. | Proportionate |
| Sax S.a.s. | Guerville | F | € | 482,800.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| SCI de Balloy | Avon | F | € | 20,310.00 | - | 100.00 | 100.00 | GSM S.a.s. | Line-by-line |
| SCI de Barbeau | Bray sur Seine | F | € | 8,000.00 | - | 49.00 | 49.00 | GSM S.a.s. | |
| SCI des Granets | Cayeux sur M. | F | € | 4,575.00 | - | 33.33 | 33.33 | GSM S.a.s. | |
| SCI du Colombier | Rungis | F | € | 2,000.00 | - | 63.00 | 63.00 | GSM S.a.s. | Line-by-line |
| SCI Taponnat | Cherves Richemont | F | € | 1,500.00 | - | 50.00 | 50.00 | GSM S.a.s. | |
| Scori S.A. | Plaisir | F | € | 1,092,800.00 | - | 13.95 | 13.95 | Ciments Calcia S.a.s. | |
| Seas Co. Ltd. | Bangkok | TH | BT | 10,000,000.00 | - | 99.98 | 99.98 | Ciments Français S.A. | Line-by-line |
| Shymkent Cement JSC | Shymkent | KAZ | TEN | 380,660,000.00 | - | 92.88 | 92.88 | Codesib S.a.s. | Line-by-line |
| Singha Cement (Private) Limited | Colombo | SRI L. | LKR | 397,395,770.00 | - | 80.16 | 80.16 | Ciments Français S.A. | Line-by-line |
| Sitapuram Power Limited | Hyderabad | IN | INR | 480,000,000.00 | - | 50.99 | 50.99 | Zuari Cement Ltd. | Line-by-line |
| Sociedad Financiera y Minera S.A. | Malaga | E | € | 39,160,000.00 | - | 99.94 | 96.45<br>3.02<br>0.47<br>99.94 | Ciments Français<br>Hormigones y Minas S.A.<br>Sociedad Financiera y Minera S.A.<br>(voting rights:<br>Ciments Français) | Line-by-line |
| Société Calcaires Lorrains | Heillecourt | F | € | 40,000.00 | - | 49.92 | 49.92 | GSM S.a.s. | Proportionate |
| Société Civile Bachant le Grand Bonval | Rheims | F | € | 1,500.00 | - | 80.00 | 80.00 | GSM S.a.s. | |
| Société Civile d'Exploitation<br>Agricôle de l'Avesnois | Rheims | F | € | 3,000.00 | - | 90.00 | 50.00<br>40.00 | Société Civile Bachant le Grand Bonval<br>GSM S.a.s. | |
| Société de la Grange d'Etaule | Gray | F | € | 3,750.00 | - | 99.60 | 99.60 | Ciments Calcia S.a.s. | Line-by-line |
| Société des Calcaires de Souppes<br>sur Loing S.C.S.L. | Souppes sur Loing | F | € | 2,145,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Société des Carrières<br>du Tournaisis S.C.T. S.A. | Tournai | B | € | 12,297,053.42 | - | 65.00 | 42.69<br>16.31<br>6.00 | Ciments Français S.A.<br>Ciments Calcia S.a.s.<br>Compagnie des Ciments Belges S.A. | Proportionate |
| Société Foncière de la Petite Seine S.a.s. | Saint Sauveur les Bray | F | € | 500,000.00 | - | 42.25 | 42.25 | GSM S.a.s. | Proportionate |
| Société Parisienne des Sablières S.A. | Pont de L'Arche | F | € | 320,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Socli S.a.s. | Izaourt | F | € | 144,960.00 | - | 99.99 | 99.99 | Ciments Calcia S.a.s. | Line-by-line |
| Sodramaris S.n.c. | La Rochelle | F | € | 7,001,000.00 | - | 50.00 | 50.00 | GSM S.a.s. | Proportionate |
| Soficem S.n.c. | Puteaux | F | € | 1,000.00 | - | 100.00 | 99.00<br>1.00 | Ciments Français S.A.<br>Compagnie Financière et de Partecipations S.a.s. | Line-by-line |
| Srt Rouennaise de Transformation | Grand Couronne | F | € | 7,500.00 | - | 60.00 | 60.00 | Ciments Calcia S.a.s. | Line-by-line |
| Ste Aquitaine de Transformation S.a.s. | Saint Cloud | F | € | 10,000,000.00 | - | 40.00 | 40.00 | Ciments Calcia S.a.s. | Equity |
| Ste Extraction & Amenagement<br>de la Plaine de Marolles S.a.s. | Avon | F | € | 40,000.00 | - | 56.40 | 56.40 | GSM S.a.s. | Proportionate |
| Stinkal S.a.s. | Ferques | F | € | 1,540,000.00 | - | 35.00 | 35.00 | GSM S.a.s. | Equity |
| St. Basile Transport Inc. | St. Basile | CAN | CAD | 9,910.00 | - | 100.00 | 100.00 | Ciment Quebec Inc. | Equity |
| Suez Bag Company SAE | Cairo | EGY | LE | 20,250,000.00 | - | 57.84 | 53.32<br>4.52 | Suez Cement Company SAE<br>Tourah Portland Cement Company SAE | Line-by-line |
| Suez Bosphorus Cimento Sanayi Ticaret | Istanbul | TR | YTL | 50,000.00 | - | 99.99 | 99.99 | Suez Cement Company SAE | Line-by-line |

| Company | Registered office | | Share capital | | Interest held by Group companies: Direct | Indirect | % | | Method |
|---|---|---|---|---|---|---|---|---|---|
| Suez Cement Company SAE | Cairo | EGY | LE | 909,282,535.00 | - | 55.07 | 26.05 | Menaf S.a.s. | Line-by-line |
| | | | | | | | 12.36 | Ciments Français S.A. | |
| | | | | | | | 11.66 | Ciments du Maroc S.A. | |
| | | | | | | | 5.00 | Tercim S.A. | |
| Suez for Import & Export Company SAE | Cairo | EGY | LE | 3,750,000.00 | - | 100.00 | 40.00 | Axim for Industrials SAE | Line-by-line |
| | | | | | | | 40.00 | Development for Industries Co. SAE | |
| | | | | | | | 20.00 | Suez for Transportation & Trade SAE | |
| Suez for Transportation & Trade SAE | Cairo | EGY | LE | 10,000,000.00 | - | 100.00 | 55.00 | Helwan Cement Co. | Line-by-line |
| | | | | | | | 35.00 | Suez Cement Company SAE | |
| | | | | | | | 10.00 | Tourah Portland Cement Company SAE | |
| Suez Lime SAE | Cairo | EGY | LE | 7,390,000.00 | - | 50.00 | 49.00 | Suez Cement Company SAE | Proportionate |
| | | | | | | | 1.00 | Tourah Portland Cement Company SAE | |
| Tameer Betoon for Trading and Contracting LLC | Doha | Q | QAR | 200,000.00 | - | 49.00 | 49.00 | Hilal Cement Company | Equity |
| Technodes S.a.s. | Guerville | F | € | 3,200,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Tecno Gravel Egypt SAE | Cairo | EGY | LE | 15,000,000.00 | - | 45.00 | 45.00 | Suez Cement Company SAE | Equity |
| Teracem Limited | Accra | GH | GHC | 32,000,000.00 | - | 100.00 | 100.00 | Tercim S.A. | |
| Tercim S.A.S. | Puteaux | F | € | 55,539,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Tomahawk Inc. | Wilmington | USA | USD | 100.00 | - | 100.00 | 100.00 | Essroc Cement Corp. | Line-by-line |
| Tourah Portland Cement Company SAE | Cairo | EGY | LE | 357,621,000.00 | - | 71.93 | 66.12 | Suez Cement Company SAE | Line-by-line |
| | | | | | | | 5.81 | Menaf S.a.s. | |
| Trabel Affetement S.A. | Gaurain Ramecroix | B | € | 61,500.00 | - | 100.00 | 99.84 | Tratel S.a.s. | Line-by-line |
| | | | | | | | 0.16 | Ciments Calcia S.a.s. | |
| Trabel Transports S.A. | Gaurain-Ramecroix | B | € | 750,000.00 | - | 100.00 | 89.97 | Tratel S.a.s. | Line-by-line |
| | | | | | | | 10.03 | Compagnie des Ciments Belges S.A. | |
| Tragor S.a.s. | Pessac | F | € | 892,048.00 | - | 100.00 | 100.00 | Tratel S.a.s. | Line-by-line |
| Tratel S.a.s. | Guerville | F | € | 6,025,580.00 | - | 100.00 | 100.00 | Ciments Calcia S.a.s. | Line-by-line |
| Unibéton Luxembourg S.A. | Luxembourg | L | € | 35,000.00 | - | 100.00 | 100.00 | Unibéton S.a.s. | |
| Unibéton S.a.s. | Guerville | F | € | 27,159,732.00 | - | 99.99 | 99.99 | Ciments Français S.A. | Line-by-line |
| Unibéton Var S.a.s. | Lambesc | F | € | 40,000.00 | - | 100.00 | 100.00 | Unibéton S.a.s. | Line-by-line |
| Universal Co. For Ready Mix Concrete Production SAE | Cairo | EGY | LE | 234,857,100.00 | - | 52.00 | 52.00 | Suez Cement Company SAE | Line-by-line |
| Uniwerbéton S.a.s. | Heillecourt | F | € | 160,000.00 | - | 70.00 | 70.00 | Unibéton S.a.s. | Line-by-line |
| Valoise S.a.s. | Pierrelaye | F | € | 37,570.00 | - | 60.00 | 60.00 | GSM S.a.s. | Proportionate |
| Vaniyuth Co. Ltd. | Bangkok | TH | BT | 100,000.00 | - | 48.80 | 48.80 | Investcim S.A. | Line-by-line |
| Vassiliko Cement Works Ltd. | Nicosia | CYP | € | 30,932,457.21 | - | 24.65 | 14.94 | Italmed Cement Company Ltd. | Equity |
| | | | | | | | 9.71 | Compagnie Financière et de Participations S.A.S. | |
| Ventore S.L. | Malaga | E | € | 14,400.00 | - | 100.00 | 99.56 | Sociedad Financiera y Minera S.A. | Line-by-line |
| | | | | | | | 0.44 | Hormigones y Minas S.A. | |
| Vesprapat Holding Co, Ltd. | Bangkok | TH | BT | 20,000,000.00 | - | 49.00 | 49.00 | Sax S.a.s. | Line-by-line |
| Vulkan Cement S.A. | Dimitrovgrad | BUL | LEV | 452,967.00 | - | 98.57 | 70.00 | Ciments Français S.A. | Line-by-line |
| | | | | | | | 28.57 | Devnya Cement A.D. | |
| Xinpro Limited | Puteaux | F | € | 37,000.00 | - | 100.00 | 100.00 | Ciments Français S.A. | Line-by-line |
| Yuzhno-Kyrgyzsky Cement | Batken Oblast | KG | KGS | 528,317,200.00 | - | 11.00 | 11.00 | Codesib S.a.s. | |
| Zuari Cement Ltd. | Andra Pradesh | IN | INR | 4,279,614,000.00 | - | 99.99 | 80.14 | Ciments Français S.A. | Line-by-line |
| | | | | | | | 19.85 | Cie pour l'Investissement Financier en Inde | |
| | | | | | | | | (voting rights: | |
| | | | | | | | 99.99 | Ciments Français S.A.) | |

*(*) Percentage interest held by the Ciments Français Group*

Italcementi Group

***Representation form pursuant to art. 154-bis, par. 5 TUF in relation to the consolidated financial statement (pursuant to art. 81-ter of Consob Regulation n° 11971/99, and subsequent modifications and integrations)***

1. The undersigned Carlo Pesenti, Chief Executive Officer and Carlo Bianchini, the Manager in charge of preparing the company's financial reports, of Italcementi S.p.A., having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree February no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the legal entity features and
- the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statement over the course of the period from January 1st, 2012 and December 31st, 2012.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of consolidated financial statements as at December 31st, 2012 is based on a form identified by Italcementi according to the CoSO framework (illustrated in the *CoSO Report*) and also takes into account the document *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies"*, both issued by the Committee of Sponsoring Organizations of the Treadway Commission, representing a generally accepted international framework.

3. It is also certified that:

3.1 the consolidated financial statement:

a) has been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;

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

c) is capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The directors' report includes a reliable analysis of the performance and the results of operations, and the overall situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

*Signed by: Carlo Pesenti, Chief Executive Officer*
*Signed by: Carlo Bianchini, Manager in Charge*

March 5th, 2013

*This report has been translated into the English version solely for the convenience of international readers*

KPMG S.p.A.
**Revisione e organizzazione contabile**
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24121 BERGAMO BG

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Telefax +39 035 240220
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

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

# Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italcementi S.p.A.

1 We have audited the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2012, comprising the statement of financial position, income statement, statement of comprehensive income, consolidated statement of changes in equity, statement of cash flows and notes thereto. The parent's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements present the corresponding prior year figures for comparative purposes. As disclosed in note "Discontinued operations", in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the directors have restated certain corresponding figures included in the prior year consolidated financial statements. We audited such financial statements and issued our report thereon on 26 March 2012. We have examined the methods used to restate the prior year corresponding figures and related disclosures for the purposes of expressing an opinion on the consolidated financial statements at 31 December 2012.

3 In our opinion, the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of the Italcementi Group as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

4 The directors of Italcementi S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and the specific section on the corporate governance and ownership structure included in the directors' report on the separate financial statements of Italcementi S.p.A., to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of the directors' report on the separate financial statements of Italcementi S.p.A. are consistent with the consolidated financial statements of the Italcementi Group as at and for the year ended 31 December 2012.

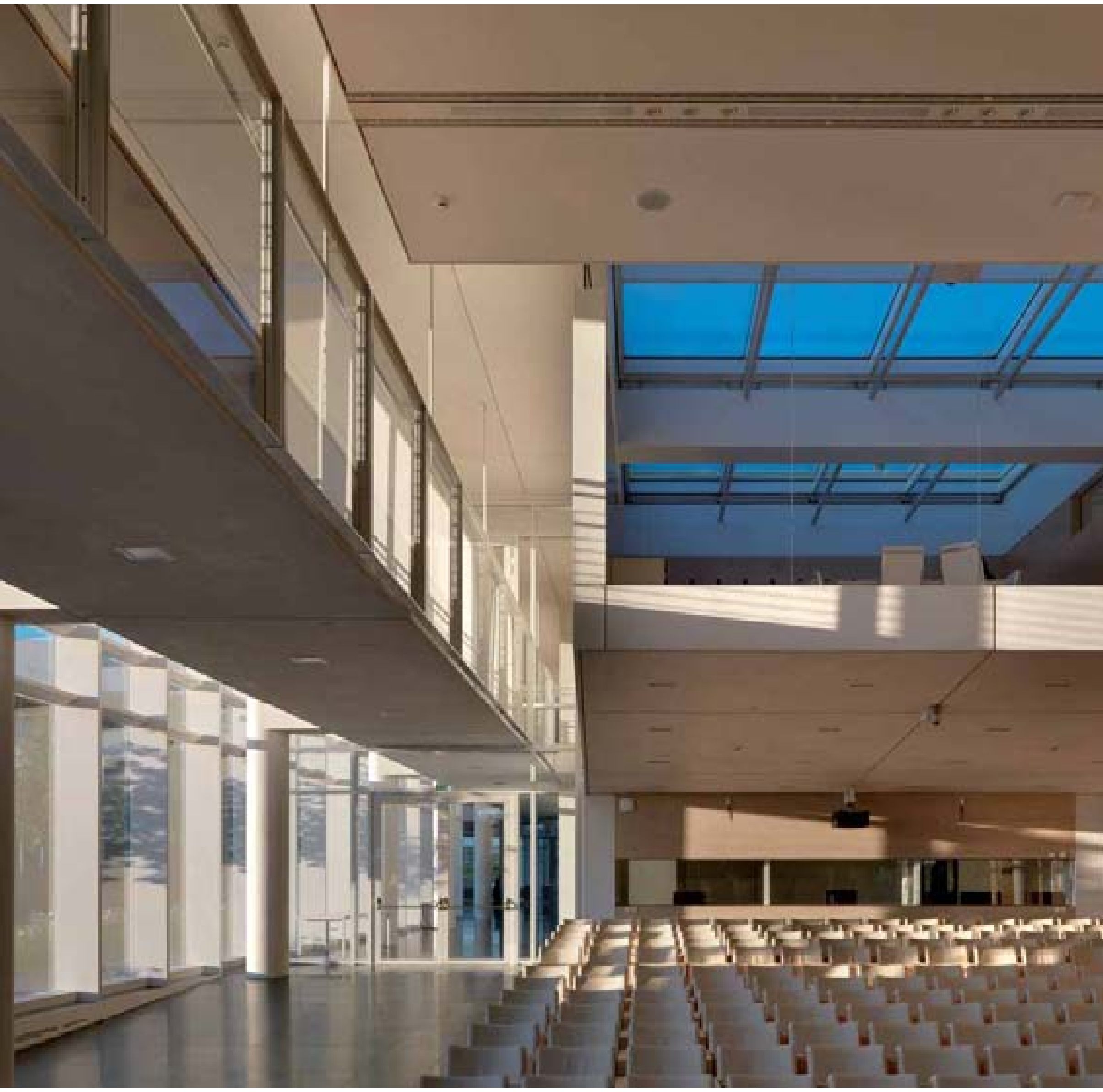
Bergamo, 22 March 2013

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi
Director of Audit

Italcementi
Italcementi Group



# Italcementi S.p.A.
# Annual Report

# Directors' report

Any changes in the standards and regulations, compared to 2011, are detailed in the notes under the heading "Statement of compliance with the IFRS". In accordance with the provisions of European Union Regulation no. 1606 of 2002, the principles to be adopted do not include the standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) at December 31, 2012, but not endorsed by the European Union at that date. Furthermore, the European Union has endorsed additional standards/interpretations that Italcementi S.p.A. will apply at a subsequent time, having decided not to elect early application.

## Earnings indicators

To assist comprehension of its financial data, Italcementi S.p.A. employs a number of widely used indicators, which are not contemplated by the IFRS.

Specifically, the income statement presents the following intermediate results / indicators: recurring EBITDA, EBITDA, EBIT, computed as the sum of the preceding items. As regards the statement of financial position, similar considerations apply to net debt, whose components are detailed in the specific section of the notes.

Since the indicators employed by the company are not envisaged by the IFRS, their definitions may not coincide with and therefore may not be comparable to those adopted by other companies/groups.

This report contains many financial and non-financial earnings indicators, including those mentioned above. The financial indicators, taken from the financial statements, are used in the tables summarizing Italcementi S.p.A.'s financial performance, in relation to comparative amounts and other amounts from the same year (e.g. change in revenue, recurring EBITDA and EBIT with respect to the previous year, and change in their return on revenue). The use of amounts not directly apparent from the financial statements (e.g. amounts of subsidiaries' financial statements) and the presentation of comments and assessments assist qualification of the trends in the amounts concerned.

The non-financial indicators refer to external and internal elements: the general economic situation and the situation of the industry in which the company operates, trends in sales prices and key cost factors, acquisitions and disposals, other significant events in the year, organizational developments, the introduction of laws and regulations, etc.. In the notes, the section on net debt provides information about the effects of changes in interest rates and the main exchange rates on the statement of financial position and the income statement.

# Results and significant events for the year

## Results

Italcementi S.p.A. ended 2012 with a 202.9 million euro loss (against a 7.0 million euro profit in 2011) primarily as a result of non-recurring items, impairment losses on property, plant and equipment, a decrease in net finance income and impairment losses on equity investments.

### Condensed income statement

| (in millions of euro) | 2012 | 2011 | % change vs. 2011 |
|---|---|---|---|
| **Revenue** | **554.7** | **613.8** | **(9.6)** |
| **Recurring EBITDA** | **(5.1)** | **(0.5)** | **(>100.0)** |
| *% of revenue* | *(0.9)* | *(0.1)* | |
| Other non-recurring income and expense | (26.4) | 8.2 | |
| **EBITDA** | **(31.5)** | **7.7** | **n.s.** |
| *% of revenue* | *(5.7)* | *1.3* | |
| Amortization and depreciation | (75.9) | (81.6) | (7.0) |
| Impairment | (27.4) | (0.7) | |
| **EBIT** | **(134.7)** | **(74.6)** | **(80.6)** |
| *% of revenue* | *(24.3)* | *(12.2)* | |
| Finance income and costs | 80.1 | 109.8 | (27.0) |
| Impairment on financial assets | (141.4) | (52.3) | |
| **Profit (loss) before tax** | **(195.9)** | **(17.1)** | **(>100.0)** |
| *% of revenue* | *(35.3)* | *(2.8)* | |
| Income tax (expense) | (6.9) | 24.1 | |
| **Profit (loss) for the period** | **(202.9)** | **7.0** | **n.s.** |
| *% of revenue* | *(36.6)* | *1.1* | |
| **Cash flow from operating activities** | **105.2** | **36.1** | **>100.0** |
| **Capital expenditure** | **82.1** | **131.6** | **(37.6)** |

n.s.: not significant

In the second half of 2011, the Italian economy once again entered into recession, which continued throughout the whole of last year. Gross domestic product fell by more than 2%; the decrease in internal consumer and investment demand was even more substantial, while net exports increased considerably. At the core of the new downward cycle were the strong measures introduced to contain public spending and a tightening of credit; the reduction in disposable income was also affected by higher unemployment and salary increases below the rise in prices. Improved financial conditions toward the end of the year provided indications of an upturn in the economy; even in the absence of further upheavals, it will still take time before the improved financial conditions can be reflected in the real economy.

Investments in construction showed a substantial decline in 2012 for the fifth consecutive year and are now almost 25% less than before the recession; furthermore, the rate of contraction, which had slowed down during 2010-2011, sharply increased last year. This situation affected all segments, with the partial exception of extraordinary maintenance, which continued to benefit from substantial public incentives. At the beginning of 2012, the short-term was negatively influenced by bad weather and, for the year, unfavorable macroeconomic fundamentals, which could become structural in nature, had an even greater effect.

In 2012, cement consumption fell by more than 22%, a percentage fall never seen in the postwar period, to some 25.5 million metric tons. As pointed out more than once, the increasing gap between demand for cement and investments in construction is primarily a result of the shift in investments toward restructuring projects, while the proportion of civil engineering projects, which require more cement, has declined.

The reduction in cement production was only slightly smaller and affected all geographical areas, but was most acute in the central region.

This sharp fall in demand led to a reduction, albeit less substantial, in imports of cement and clinker, while exports rose slightly, resulting in a notable increase in the surplus of exports by volume.

### Domestic production*

| (millions of metric tons) | 2012 | 2012/2011 (% change) |
|---|---|---|
| Northern Italy | 12.8 | (18.3) |
| Central Italy | 4.6 | (28.9) |
| Southern Italy | 6.1 | (22.2) |
| Italian islands | 2.8 | (12.7) |
| **Total** | **26.2** | **(20.8)** |

* source: AITEC

In this scenario, Italcementi S.p.A. recorded **revenue** of 554.7 million euro, a reduction of 9.6% compared to 2011 (613.8 million euro), as a result of the sharp decline in sales volumes, which was partially offset by considerably better prices.

**Recurring EBITDA** worsened from -0.5 million euro in 2011 to -5.1 million euro in 2012.

Better prices offset the considerable effect on recurring EBITDA of the contraction in sales and the increase, albeit of a lesser degree, in variable costs. Among the latter, the substantial increase in electricity prices was partly offset by savings achieved in other cost items, in part by means of energy efficiency measures arising from the restructuring of the production network, as well as from specific measures such as the increased use of alternative fuels and substitute raw materials.

Under the production network restructuring plan, which started in 2012 and aims to rationalize production, bringing it into line with the new market conditions, a series of initial decisions were taken, such as the disposal of the Pontassieve cement plant in June and the interruption of clinker production in two other plants (Porto Empedocle and Vibo Valentia) in the third quarter. This plan, combined with measures affecting other production units, led to significant savings in overheads, which partially offset the lower income from $CO_2$ emission rights, compared to 2011, which benefited from higher rights trading and income from reimbursement of “new entry” $CO_2$ quotas, awarded to three production plants for the period 2008-2012.

For the plan launched in 2012 and “Project 2015”, announced in December 2012, an amount of approximately 47 million euro was recognized under non-recurring expense.

The impact of this expense, in part offset by the gain from the sale of Pontassieve (about

13 million euro), was reflected in **EBITDA**, which decreased from a positive amount of 7.7 million euro in 2011 to a negative amount of 31.5 million euro in 2012, with a return on revenue of -5.7% (1.3% in 2011).

After amortization and depreciation charges of 75.9 million euro, 7.0% down compared to the previous year (81.6 million euro) and impairment losses on property, plant and equipment relating to the production restructuring plan (27.4 million euro, compared to 0.7 million euro in 2011), **EBIT** was negative at 134.7 million euro, substantially worse than the negative EBIT of 74.6 million euro posted in 2011.

**Net finance income** was 80.1 million euro, a 29.7 million euro decrease, compared to 2011, primarily as a result of lower dividend income.

**Loss before tax** was 195.9 million euro (loss of 17.1 million euro in 2011). This figure was also affected by **impairment losses on financial assets** for 141.4 million euro (52.3 million euro in 2011), primarily relating to impairment losses on Calcestruzzi S.p.A., Nuova Sacelit S.r.l. and Calcementi Jonici S.r.l..

After **income tax expense** of 6.9 million euro (income of 24.1 million euro in 2011), 2012 closed with a loss of 202.9 million euro (against a profit of 7.0 million euro in 2011).

In 2012 the **other comprehensive income** showed a negative balance of 19.5 million euro as a result of fair value losses on derivatives. Considering the loss for the year of 202.9 million euro described in the previous paragraph and the other components described above, total comprehensive income for 2012 was negative for 222.4 million euro, compared to a positive amount of 4.3 million euro in 2011 (the reader is referred to the statement of comprehensive income, included in the "Financial statements" section).

## Significant events

In December, in a deeply changed economic climate in which cement consumption was down to the levels of the late 1960s, Italcementi announced **'Project 2015'**, a complex plan to restructure and strengthen the Group's domestic activities, marked by an extremely flexible production and sales system. The plan will be implemented over the period 2013-2014, with the aim of rationalizing the industrial and distribution network throughout Italy, and also restructuring the Group's head office and sales network, affecting managers, blue and white collars. The intention is to improve efficiency also by means of significant industrial investments. One example is the revamping of the Rezzato cement plant, following the revamps at Calusco and Matera, and the continued commitment to developing the new research and innovation center (i.lab), which will be ever more closely integrated with the new Global Sales and Marketing function set up to achieve more dynamic interaction with the market.

As regards the production units, the existing 14 cement plants (after the disposal of the Pontassieve plant and the transformation of Vibo Valentia and Porto Empedocle into grinding centers) have been divided into different strategic groups. The first, consisting of the plants at Calusco, Rezzato, Colleferro, Samatzai, Matera and Isola delle Femmine, are examples of industrial and environmental excellence and will become the cornerstone of domestic production capacity. Over the next two years, a second group of cement plants (Sarche, Guardiaregia, Scafa, Castrovillari and Salerno) will operate continuously on a flexible basis, when the market requires additional production capacity, while production of clinker at Monselice, Broni and Trieste will be halted, while maintaining grinding and shipment operations.

With respect to Italcementi S.p.A. employment, “Project 2015” envisages recourse to state-subsidized lay-off (CIGS) for no more than 665 employees out of some 2,500, two thirds of whom are currently working at production sites and one third at the Bergamo head office.

At the end of the CIGS period, in the absence of clear signs of improvement, about half of the temporary suspensions will become permanent, including recourse to mobility schemes. The company will ensure every form of collateral support to people affected by the plan, also taking innovative social sustainability actions.

Once fully implemented, the economic effect of the “Project 2015” will ensure an overall cost containment worth approximately 40 million euro per year.

The agreement covering the **merger of Cementificio di Montalto S.p.A.** into Italcementi S.p.A. was signed in December. The merger took effect on December 31, 2012; therefore, the subsidiary’s transactions have been recorded in the financial statements of Italcementi S.p.A., also for accounting and tax purposes, starting from that date, without any retroactive effects.

## Capital expenditure

Investments in property, plant and equipment and investment property totaled 66.6 million euro in 2012 (61.9 million euro in 2011). They related to extensive industrial safety and rationalization projects.

Investments in intangible assets were 10.3 million euro (18.9 million euro), primarily related to software development associated with the various IT projects implemented in 2012.

Equity investments and investments in other assets were limited (5.2 million euro, compared to 50.8 million euro in 2011). Furthermore, 45.0 million euro was paid out in 2012 to cover losses recorded by subsidiaries (Calcestruzzi S.p.A., Nuova Sacelit S.r.l., Calcementi Jonici S.r.l. and Cementificio di Montalto S.p.A.).

# Statement of financial position, cash flows and net debt

## Condensed statement of financial position

| (in millions of euro) | 12.31.2012 | 12.31.2011 |
|---|---|---|
| Property, plant, equipment and investment property | 583.4 | 594.9 |
| Intangible assets | 58.9 | 28.6 |
| Equity investments and other assets | 1,822.6 | 1,954.6 |
| **Non-current assets** | **2,464.9** | **2,578.1** |
| **Current assets** | **713.8** | **841.2** |
| **Total assets** | **3,178.8** | **3,419.3** |
| **Equity** | **1,476.2** | **1,784.6** |
| **Non-current liabilities** | **906.4** | **927.9** |
| **Current liabilities** | **796.2** | **706.8** |
| **Total liabilities** | **1,702.6** | **1,634.7** |
| **Total equity and liabilities** | **3,178.8** | **3,419.3** |

## Condensed statement of cash flows

| (in millions of euro) | | 2012 | | 2011 |
|---|---|---|---|---|
| **Net debt at beginning of period** | | **(839.0)** | | **(745.8)** |
| Cash flow from operating activities: | | | | |
| Cash flow before change in working capital | 58.4 | | 114.0 | |
| Change in working capital | 46.8 | | (77.9) | |
| Total cash flow from operating activities | | 105.2 | | 36.1 |
| Capital expenditure: | | | | |
| PPE, investment property and intangible assets | (76.9) | | (80.8) | |
| Financial assets and other assets | (5.2) | | (50.8) | |
| Total capital expenditure | | (82.1) | | (131.6) |
| Proceeds from the sale of non-current assets | | 30.8 | | 41.5 |
| Debt arising from merger | | (76.5) | | |
| Outflows to cover losses of investees | | (45.0) | | (5.0) |
| Dividends paid | | (40.4) | | (33.4) |
| Other | | (40.3) | | (0.8) |
| **Change in net debt** | | **(148.3)** | | **(93.2)** |
| **Net debt at end of period** | | **(987.2)** | | **(839.0)** |

## Equity and net debt

Compared to December 31, 2011, Italcementi S.p.A.'s equity decreased by 308.5 million euro, from 1,784.6 million euro to 1,476.2 million euro, as a result of:

- the 202.9 million euro loss for the year;
- dividends of 40.4 million euro, paid following the shareholders' resolution of April 18, 2012;
- the net decrease of 19.5 million euro in the hedging reserve.

Net debt was 987.2 million euro, an increase of 148.2 million euro, compared to December 31, 2011 (839.0 million euro) despite the increase in cash flows from operating activities (105.2 million euro, following a positive change in working capital, compared to 36.1 million euro in 2011) and the decrease in capital expenditure. Part of the increase was attributable to the decrease in asset sales, the significant rise in outflows to cover losses and, above all, 76.5 million euro from the elimination of the reciprocal financial positions between Italcementi S.p.A. and Cementificio di Montalto S.p.A., merged at the end of 2012.

## Transactions with related parties

Italcementi S.p.A. had transactions with the following related parties:

- the parent, Italmobiliare S.p.A., and companies of the Italmobiliare group (subsidiaries, joint ventures, associates and their subsidiaries);
- subsidiaries, joint ventures, associates and their subsidiaries;
- other related parties.

Transactions with related parties reflect Italcementi S.p.A.'s interest in leveraging the synergies within the Group to enhance production and commercial integration, employ competencies efficiently and rationalize use of corporate divisions and financial resources.

No atypical or unusual transactions, as defined by Consob communication DEM/6064293 of July 28, 2006, took place during the year.

All transactions with related parties, whether financial or relating to the exchange of goods and services, are conducted at normal market conditions and comply with the Code of Conduct.

The figures pertaining to dealings with related parties and their effect on the company's financial position and results of operations are provided in the notes (note 32).

As regards corporate governance, Italcementi S.p.A. has adopted the "Procedure for transactions with related parties", detailed in the section dedicated to "Corporate governance".

### Transactions with Italmobiliare S.p.A. and Italmobiliare group companies

Italcementi S.p.A. is subject to management and coordination by Italmobiliare S.p.A.. Italmobiliare S.p.A.'s management and coordination activities and the intragroup transactions with Italmobiliare S.p.A. and the other companies subject to its management and coordination have positively influenced operations and financial results, creating an efficient use of resources and skills present in and of mutual interest to the two companies.

Italcementi S.p.A. provides Italmobiliare S.p.A. and that company's subsidiaries with personnel administration services and receives and provides services. It also provides Italmobiliare S.p.A. with a share register management service and administration services for shareholders' meetings.

Following the introduction of the "tax consolidation" regime in Italian tax law, Italcementi S.p.A. and some of its Italian subsidiaries elected national tax consolidation as per articles 117-129 of the Consolidated Income Tax Act (TUIR), with Italmobiliare S.p.A. as the consolidating company.

Italcementi S.p.A. does not hold nor held during the year, directly or indirectly, Italmobiliare S.p.A. shares.

### Transactions with subsidiaries, joint ventures, associates and their subsidiaries

Italcementi S.p.A. has current business dealings with and provides technical and/or administrative services to subsidiaries, joint ventures, associates and their subsidiaries.

There were also transactions between Italcementi S.p.A. and Ciments Français S.A. and its subsidiaries regarding the exchange of personnel services, with the aim of optimizing the use of existing professional resources and developing common projects. Costs incurred by Italcementi S.p.A. for organizational, international development, insurance and IT projects were recharged to Ciments Français S.A. for the amounts attributable to it.

A service contract exists between Italcementi S.p.A. and Ciments Français S.A. for apportionment of the costs relating to those group functions that carry out activities in favor of both companies or in favor of the entire Group.

Financially, Italcementi S.p.A. provides support to its subsidiaries both as a lender and as a guarantor and optimizes treasury management with intragroup current accounts and loans.

### Transactions with other related parties

In 2012, Finsise S.p.A., whose majority shareholder is Italo Lucchini, a director of Italcementi S.p.A., provided administrative, financial, contractual, tax and corporate re-organization consultancy services for a consideration of 360,000 euro.

Italcementi S.p.A. and subsidiaries received legal services during the year for 272,000 euro from the law firm in which Luca Minoli, a director of Italmobiliare S.p.A., is a partner.

Kilometro Rosso S.p.A., a company in which the director Alberto Bombassei holds an investment, charged Italcementi S.p.A. 8,000 euro for residual management expenses in connection with a land occupation contract. Italcementi S.p.A. also disbursed to Kilometro Rosso S.p.A. an amount of 100,000 euro, for a call option on the area and an amount of 350,000 euro as down-payment for the purchase of land and building rights inside the Kilometro Rosso scientific and technology park.

In 2012, Italcementi S.p.A. disbursed 600,000 euro and set aside a further 300,000 euro to the Italcementi Cav. Lav. Carlo Pesenti foundation to cover management costs. With regard to the contract for the supply of corporate/administrative and other services, Italcementi S.p.A. charged the foundation an amount of 191,000 euro.

Transactions with related parties are disclosed in the notes, while remuneration paid to directors, statutory auditors, the Chief Operating Officer and the Manager in charge of preparing the financial reports of Italcementi S.p.A. for positions held within the Group, are illustrated in the Remuneration Report.

For information on the transactions with related parties of the parent company Italcementi S.p.A., the reader is referred to the specific sections of the directors' report and the notes of that company.

## Sustainable research and development

Italcementi S.p.A. research and development activities are handled by CTG S.p.A. for Group companies in Italy and abroad; CTG activities are illustrated in the directors' report in the consolidated annual report.

With regard to Integrated Environmental Authorizations (*Autorizzazioni Integrate Ambientali - AIA*), a renewal was obtained for the revamping of the cement plant in Rezzato. Renewal documents were prepared and sent for various production units, with participation in the related services conferences; additional documentation was prepared to meet the requests of various local authorities and bodies.

Internal and external monitoring and renewal audits were carried out on the company's cement plants' environmental certificates.

The proportion of alternative fuels to the total mix was greater than in 2011, especially as a result of the increase in fuels obtained from the processing of tires and urban solid waste. The increase in the financial contribution arising from the use of substitute raw materials was also significant.

## Human resources

The Italcementi S.p.A. workforce stood at 2,115 persons at December 31, 2012, a decrease of 396 from the end of 2011 (2,511 persons).

| (heads) | 2012 | 2011 |
|---|---|---|
| Managers | 147 | 150 |
| Middle managers and clerical staff | 710 | 1,012 |
| Blue collars | 1,258 | 1,349 |
| **Total** | **2,115** | **2,511** |

In 2012, the hours of state-subsidized layoff benefits (*Cassa Integrazione Guadagni Ordinaria e Straordinaria, CIGS*) totaled 261,523.00 (181,156.00 hours in 2011).

AITEC and FEDERMACO maintained contacts with the Ministry for Production and the Environment in 2012 in order to draw attention to the progressive worsening of the industry within the wider construction crisis.

In relation to the current crisis, FEDERMACO and the trade union organizations agreed to extend throughout 2012 the validity of the Group collective agreements regarding performance incentives, while containing their disbursements.

During the year, initiatives continued to manage the personnel surpluses resulting from the termination of operations at the grinding centers in Scala di Giocca and Catania (the latter transformed into a delivery center).

From February 1, 2012 until the year end, recourse was made to *CIGS* for corporate crises to combat the effects of the crisis which has been detrimental to production continuity and increased the structural costs of the Bergamo head office and the sales network. The plan was reinforced by the sale to third parties in the first half of the year of the cement plant in Pontassieve and the termination of operations in the second half at the cement plants in Vibo Valentia and Porto Empedocle. Following pressure from trade unions and public institutions, these last two units have been transformed into grinding centers, as from the end of September 2012.

The merger of Cementificio di Montalto S.p.A. into Italcementi S.p.A. took place in the fourth quarter, following termination of operations at the Montalto di Castro unit.

In order to minimize social repercussions, an agreement was reached with the trade unions for Vibo Valentia and Porto Empedocle, where recourse was made to *CIGS* for termination of operations and to internal and external relocations, exit incentives and retirement support.

Measures continued to limit the number of subcontractors, overtime work and ensure use of vacation days, paid leave (*retribuzione orario lavoro*, ROL) and former public holidays.

Italcementi S.p.A., as the provider of treatment, states that the Data Protection Document was updated for 2012, in compliance with the provisions of law 196/2003 and the minimum security measures technical specifications.

## Risks and uncertainties

Italcementi S.p.A.'s management of risks (internal and external, social, industrial, political, financial) is an integral part of the Group growth strategy and a key element in the continuous evolution of the governance system. Risk management, in part through improvement of rules of conduct, aims to respect the environment, protect stakeholders (employees, customers, suppliers, shareholders), and protect corporate assets.

Italcementi operates in a sector exposed to risks and uncertainties of various kinds (connected with external, operational, financial and organizational factors, compliance with regulations, etc.).

In May 2010, Italcementi S.p.A. formed a Risk Management Department, reporting to the Chief Executive Officer, to improve its ability to create value for stakeholders by optimizing enterprise risk management (ERM). The mission of the function is to guarantee a structured approach to risk management, integrated with the Group growth strategy, and to support the improvement of Group performance by identifying, measuring, managing and controlling key risks.

The creation of the Risk Management Department is part of the **"Risk & Compliance"** program set up in 2008 and consists of the following phases:

1. identification of the main areas of risk for Group strategic goals and development of methods and tools to analyze and assess correlated risk events;
2. assessment, at country level and at aggregate level, of identified risk events in terms of impact, probability and timeframe, in order to acquire an overall vision of the Group risk portfolio;
3. selection of priority risks and definition of response strategies, Group governance rules and action to integrate and improve risk management systems;
4. implementation of defined mitigation strategies and action and development of the Enterprise Risk Management process;
5. reporting to Top Management and the governance bodies on the main risks, and their management and evolution; in this phase quantification of risks and opportunities is integrated with the enterprise management process, for example in the budget, in results forecasting reviews and in assessment of strategic projects.

### Sustainable development and risk management: protection of people and assets

Sustainable development favors a corporate approach that balances economic growth, protection of the environment and social sustainability. By constantly pursuing an optimal balance among these elements and ensuring that benefits extend to everyone involved, companies enhance their long-term value, ability to survive and competitive advantage, thus helping to prevent industrial risks.

The Group checks that its protection and prevention programs are consistently applied to all personnel in production sites (employees and other) and to all operations in its companies.

Regulatory limits and Group sustainable development goals and initiatives are examined in a special report (Sustainability Report) and also summarized in a specific section in the consolidated annual report.

The Asset Protection Program continued in 2012; it qualifies the importance of risks and develops a suitable prevention and protection policy, thereby limiting damage to assets and consequent operating losses. The program is now a consolidated Group process.

**Risks relating to the general economic and industry situation**

The economic and financial situation represents an element of risk for the Group, also in relation to its specific area of business, which is sensitive to changes in the economic situation. Household and business propensity to invest in construction is affected by the uncertainty and constraints of the general scenario.

**Risks associated with energy factors**

The cost of energy factors, which represents a large portion of Group variable costs of production, has varied significantly in the past and may continue to do so in the future as a result of external factors beyond the Group's control. The Group has adopted measures to mitigate risks relating to the availability of certain energy factors by entering into medium-term supply contracts. Furthermore the centralized procurement organization enables the Group to benefit from more efficient relations with suppliers and to obtain competitive conditions.

**Risks relating to the availability of raw materials**

The availability of raw materials is a strategic factor in investment decisions. The Group generally sources its raw materials – limestone, clay, gypsum, aggregates and other materials used in the production of cement, ready mixed concrete and aggregates – from quarries it owns (the majority) or quarries rented from third parties. For these and other significant materials, the Group has also reached specific agreements with suppliers to guarantee continuous, stable procurement.

**Environmental risks**

The "Sustainability Report" illustrates the measures taken by the Group to manage environmental risks and control and reduce emissions. With regard to $CO_2$ emissions, the Group's European companies are exposed to price fluctuations on emission rights depending on its own rights surplus or deficit. The Group and Italcementi S.p.A. positions are constantly monitored to ensure correct risk management (see note 20 in the Italcementi S.p.A. notes).

**Financial risks**

The current period of crisis puts corporate cash flows at risk, endangering companies' self-financing ability and creating difficulties for normal, orderly operations on the financial market.

The Group procures sources of finance and manages interest rates, currency and counterparty risk, for all the companies in the scope of consolidation. The Group uses derivatives to reduce the risk of fluctuations in interest rates and exchange rates with respect to debt and its international operations. Detailed analysis of this type of risk is provided in the notes, specifically in note 20 dedicated to net debt.

#### Ratings risks

The Group's ability to compete successfully in the marketplace for funding depends on various factors, including its credit ratings assigned by recognized ratings agencies. Its credit ratings may change to reflect changes in its results, financial position, credit structure and liquidity profile. As a result, a rating downgrade may have negative repercussions on the Group's ability to raise funding.

#### Legal risks

Suitable provisions and impairment losses have been applied with regard to existing risks and their related economic effects. Estimates and valuations are based on available information and are in any case regularly reviewed, with immediate recognition in the financial statements of any variations.

A review of the main current disputes (legal and tax-related) may be found in the relevant sections of this report and in the consolidated annual report, with specific details in the notes.

#### Compliance risks

The Group is subject to specific regulations concerning the quality of the products it markets; special monitoring activities have been set up to ensure compliance with the regulations in the countries where it operates.

At a general level, the "Risk and Compliance" program has introduced specific training and circulates procedures and recommendations in the Group countries, to ensure compliance with legislation and with tax, social and environmental regulations. The program is reviewed on an annual basis to take account of regulatory changes.

#### Political risks

The Group has taken out insurance covers to limit the financial consequences of possible political measures that might prevent normal management of some subsidiaries in emerging countries.

#### Financial disclosure risks

The main characteristics of the risk management system and the internal control system with respect to the financial disclosure process are illustrated in a specific section of the "Report on corporate governance and ownership structure" in this Italcementi S.p.A. report.

#### Insurance

In the interest of all Group subsidiaries, Italcementi has taken out policies with leading insurance companies to cover risks to people and assets, as well as product and general third-party liability covers. As part of its risk coverage policy, the Group aims to optimize risk management costs by assessing direct assumption and transfer to the market. All policies are negotiated under a framework agreement to ensure a balance between the probability of a risk occurring and the damage that would ensue for each subsidiary.

## Disputes and pending proceedings

With regard to the most important tax disputes arising from tax inspections and audits, the inspections relating to 1987 and the years from 2003 to 2006 are still open, with proceedings, which continued throughout 2012 with no developments of any note, so far in favor of the company.

## Italcementi Cav. Lav. Carlo Pesenti foundation

The Italcementi Cav. Lav. Carlo Pesenti foundation is an independent non-profit entity established in 2004 by Italcementi and Italmobiliare, with the aim of “promoting scientific research and education with a special emphasis on the sustainable economic and social development of enterprises”. Great attention is paid to initiatives and projects that use resources in a sustainable manner and to the ethical, social and cultural development of local communities.

In the most important sector of activities, **scientific education, training and research**, in 2012 the foundation completed the funding of research doctorates in Logistics and “Supply Chain Management” at the University of Bergamo, in collaboration with the Bocconi University and the Zaragoza Logistics Center, a partner of Boston’s M.I.T., a program of four cycles of three-year courses from 2008 to 2013. The initiative, which has received various recognitions of scientific validity and will produce a group of 15 researchers of great potential, involved an overall financial commitment of 1.8 million euro.

The foundation also continued in 2012 its support of the “Adopt talent” project of the University of Bergamo, dedicated to the internationalization of the University, with which it started a new important research project on the future trends and choices of urban communities, with a specific focus on Bergamo and its surroundings (metropolitan, provincial and regional areas).

Significant recurring interventions continued regarding grants for post-graduate training at the “MIP - School of Management” of the Milan Politecnico and, in collaboration with the Intercultura association, grants for overseas studies of secondary school students.

As well as the commitment to support the entrepreneurial culture within the framework of sustainable development, the Italcementi foundation promotes and implements **humanitarian interventions** in favor of communities affected by natural disasters or in response to specific emergency situations. In this regard, the foundation has promoted and funded the construction of a new Professional Training Center in Sri Lanka, to provide accommodation, training and skills to youths of that country. The Center was established at the beginning of 2011 and is gradually organizing its teaching activities.

In 2012, following significant external support, a major expansion and completion plan was implemented, as contemplated in the original project, which will ensure an improvement in the Center’s training and educational activities.

Some of the activities envisaged by the foundation’s charter are the promotion and organization of **conferences and seminars** on current social and economic topics. The foundation has, since its creation, organized important annual conferences attended by leading institutional, business and academic figures. In January 2012, the foundation’s annual conference focused on the role of the real economy and industry from the present day to the near future, with an interesting debate on the possibility of doing business to create value and employment, and to recover Italy’s competitiveness. In January 2013, the conference provided an analysis and a discussion on the European economic crisis and the resulting possible impact on the development of EC institutions.

The above initiatives and a variety of other recurring projects, such as support for the “Bergamo Scienza” exhibitions and for the activities of the Bergamo foundation in history, involved **an overall financial commitment of 563,000 euro in 2012** (852,000 euro in 2011).

## Performance of the Ciments Français group

### Key consolidated figures

| (in millions of euro) | 2012 | 2011 IFRS 5 | % change on 2011 |
|---|---|---|---|
| **Revenue** | **3,727.4** | **3,823.1** | **(2.5)** |
| **Recurring EBITDA** | **653.2** | **706.2** | **(7.5)** |
| Other non-recurring income (expense) | 4.7 | 19.0 | |
| **EBITDA** | **657.9** | **725.1** | **(9.3)** |
| Amortization, depreciation and impairment | (621.6) | (405.9) | |
| **EBIT** | **36.3** | **319.2** | **(88.6)** |
| Finance income/costs | (38.1) | (48.2) | (21.0) |
| Share of profit (loss) of equity-accounted investees | 11.3 | 20.1 | (43.7) |
| **Profit before tax** | **9.5** | **291.1** | **(96.7)** |
| Income tax expense | (102.6) | (111.6) | (8.1) |
| **Profit (loss) relating to continuing operations** | **(93.1)** | **179.4** | **n.s.** |
| Profit (loss) relating to discontinued operations | 8.0 | 94.8 | |
| **Profit (loss) for the period** | **(85.1)** | **274.2** | **n.s.** |
| **Profit (loss) attributable to owners of the parent** | **(142.6)** | **215.3** | **n.s.** |
| **Total equity** | **3,849.7** | **4,257.7** | |
| **Equity attributable to owners of the parent** | **3,062.9** | **3,422.0** | |
| Net debt | **846.2** | **1,021.4** | |

In 2012, Ciments Français S.A. consolidated revenue was 3,727.4 million euro, down 2.5% compared to 2011 (-4.0% at constant exchange rates and on a like-for-like basis).

Recurring EBITDA stood at 653.2 million euro, a 7.5% decrease compared to 2011. After net non-recurring income of 4.7 million euro (19.0 million euro in 2011), EBITDA was 657.9 million euro, down 9.3% compared to 2011. After amortization and depreciation totaling 350.7 million euro (352.5 million euro) and impairment losses of 270.9 million euro (53.4 million euro), EBIT was 36.3 million euro (-88.6% compared to 2011).

Net finance costs at 38.1 million euro were down 21.0%.

Loss relating to continuing operations amounted to 93.1 million euro (profit of 179.4 million in 2011).

The loss for the year was 85.1 million euro, against a profit of 274.2 million euro in 2011.

Ciments Français S.A.'s profit for the year was 50.2 million euro, down from 2011 (296.3 million euro), which benefited from the gain realized on the sale of Set Group.

A dividend of 3 euro per share will be proposed at the annual general meeting of Ciments Français S.A. on April 11, 2013. Considering the interim dividend of 1.50 euro of August 3, 2012, the balance to be paid as the dividend for 2012 will be 1.50 euro.

# Report on Corporate Governance and ownership structure

## *INTRODUCTION*

This Report describes the corporate governance system adopted by Italcementi S.p.A. (hereinafter also referred to as "Italcementi" or the "Company").

Fulfilling applicable legal and regulatory provisions, this Report contains information on the ownership structure and compliance with the Code of Conduct for listed companies promoted by the Committee for Corporate Governance, as lastly published in December 2011 (the "Code", available on the *website* www.borsaitaliana.it). This Report also illustrates the reasons underlying the non-implementation of certain, very limited recommendations of the Code, which the Board of Directors decided not to adopt, it describes the corporate governance practices actually applied and provides for a description of the main characteristics of the Internal Control and Risk Management System, also with reference to the financial reporting process.

This Report, approved by the Board of Directors on March 5, 2013, is published in the section *"Investor Relations / General Meetings"* on the Company's website.

The information contained in this Report refers to fiscal year 2012 and, in regard of specific topics, was updated as of the meeting of the Board of Directors which approved it.

## *ITALCEMENTI S.p.A. PROFILE*

Italcementi adopts the traditional governance model based on the presence of a Board of Directors and a Board of Statutory Auditors, both appointed by the Shareholders' Meeting, considering it the most suitable governance system to combine "efficient management" with "effective control", and simultaneously pursue the satisfaction of the shareholders' interests and enhancement of the management value.

Furthermore, the Company Corporate Governance system deduces from the following codes and regulations, as well as the By-laws:

1) Code of Conduct promoted by the Committee for Corporate Governance, as lastly published in December 2011;
2) The Group Code of Ethics;
3) Treatment of Confidential Information;
4) Internal Dealing Code of Conduct;
5) Procedure for Transactions with Related Parties;
6) "Insider register" Procedure;
7) Regulation for the manager in charge of preparing the company's financial reports;
8) Organizational, Management and Control Model.

The above documents are available on the Company's website *www.italcementigroup.com*, except for the Code (available on the website of the Italian Stock Exchange *www.borsaitaliana.it*), the Regulation for the manager in charge of preparing the company's financial reports, available to all the Group companies on the company intranet and in respect of the special Part of the Organizational, Management and Control Model, also made available to all employees on the Company intranet.

The Company has always been actively committed in modernizing its business culture in order to respond to the challenges arising from developments in Corporate Governance rules. This process fostered and enhanced the sharing of values and the recognition that the adoption of good rules of corporate governance goes hand in hand with the dissemination of a business culture whose aims are transparency, adequate management and effective control.

As part of the broader process of integrating and sharing common principles and rules within the Group, the Company's Board of Directors, in 2010, resolved to adopt common rules of corporate governance (*Corporate Governance Framework*) representing the set of minimum corporate governance principles applicable to Group companies.

These principles were thought out on the basis of a comparative review of national and international best practices as well as taking into account the different local laws of the Countries where the Group operates.

The Corporate Governance Framework was initially distributed to 22 companies operating in 14 Countries, considered to be a sufficiently representative sample on the basis of pre-set relevance indicators (revenues, assets, EBIT and number of employees) and was then gradually extended to the other Group companies.

The corporate governance structure adopted by the Company, as set up in the binding articles of the By-laws and the provisions of the above mentioned codes and policies, confirms and bears witness to Italcementi commitment to comply with national and international best practices.

## ***INFORMATION ON OWNERSHIP STRUCTURE***

**a) *Share capital structure, indicating the various share categories, related rights and obligations, as well as the percentage of share capital represented***

Italcementi share capital is equal to 282,548,942 euro, divided into 282,548,942 shares with a nominal value of 1 euro each, of which 177,117,564 are ordinary shares, equal to 62.69% of the entire share capital, and 105,431,378 are savings shares, equal to 37.31% of the entire share capital.

***Ordinary shares*** carry voting rights at the Company's ordinary and extraordinary Shareholders' Meetings.

Shareholders who, even jointly, own at least one fortieth of the share capital represented by shares with voting rights, may ask, within the deadlines envisaged by the law in force, for the items on the agenda of the Shareholders' Meeting to be supplemented, stating in their request which further issues are being suggested. In addition, shareholders who, individually or with other shareholders, can prove that they hold an overall stake in the share capital with voting rights that is no lower than that established by the law in force, have the right to present lists for the appointment of the Board of Directors and the Board of Statutory Auditors in accordance with the provisions of the law and the By-laws.

***Savings shares*** do not carry voting rights.

In the event of an increase in share capital against consideration for which option rights have not been excluded or limited, the holders of savings shares have option rights on the newly issued savings shares or, in their absence or to cover the difference, on other categories of shares. Resolutions to issue new savings shares with the same characteristics as those already outstanding, either through a share capital increase or through the conversion of other categories of shares, do not require approval by the meetings of the holders of the different share categories. Should ordinary and/or savings shares be excluded from trading, savings shares maintain the rights granted to them by law and by the By-laws, unless otherwise provided for by the Shareholders' Meeting.

When the net profit for the year is allocated, savings shares are entitled to a dividend of up to 5% of the nominal share value, increased with respect to that of ordinary shares, by an amount equivalent to 3% of the nominal share value. If in a fiscal year a lower dividend is allocated to savings shares, the difference is calculated as an increase to the savings dividend paid in the following two years.

In the event of distribution of reserves, savings shares have the same rights as other shares. A reduction in share capital owing to losses does not cause a reduction in the nominal value of the savings shares, except for that part of the loss in excess of the overall nominal value of the other shares. In case of dissolution of the company, savings shares have priority in the repayment of the share capital for the full nominal value.

The Company does not have outstanding ***stock option plans*** either for directors or for officers. However, based on the assignments resolved in the last few years for the stock option plans in force from time to time, cancelled for the unexecuted portion, as at the date hereof 960,900 options on the stock option plan for directors – 2001, 2,269,316 options on the stock option plan for officers – 2000 and 1,564,750 options on the stock option plan for officers – 2008 are exercisable. Outstanding options granted to directors can only be exercised through assignment to the recipients of treasury shares, while those granted to officers can also be exercised through the execution of the power, recognized to directors, to increase the share capital.

No additional categories of financial instruments granting rights to subscribe newly issued shares, other than the above mentioned options, have been issued by the Company.

***b) Restrictions on share transfers***

No restrictions exist on share transfers or on acceptance clauses.

***c) Significant shareholders as disclosed pursuant to article 120 of the Italian TUF (i.e. consolidated law on finance)***

| Shareholder | Total No. Shares | % of share capital overall | % of share capital ordinary |
|---|---|---|---|
| EFIPARIND B.V. (indirectly through Italmobiliare S.p.A.)<br>*This figure does not take into account the 3,793,029 treasury shares with voting rights held by the Company* | 106,734,000 | 37.78 | 60.26 |
| FIRST EAGLE INVESTMENT MANAGEMENT LLC<br>(as manager, among other things, of the “First Eagle Global Fund” which holds 2.188% of the ordinary share capital) | 3,932,129 | 1.39 | 2.22 |
| ITALCEMENTI S.p.A. (treasury shares) | 3,793,029 | 1.34 | 2.14 |

***d) Shares that confer special control rights***

No shares conferring special control rights have been issued.

***e) Shareholding of employees: mechanism for exercise of voting rights***

There is no specific system for employees to have shareholdings.

***f) Restrictions on voting rights***

The By-laws do not provide for restrictions on the exercise of voting rights.

***g) Agreements among shareholders, pursuant to article 122 of the Italian TUF, of which the company is aware***

As far as the Company is aware, there are no agreements of any kind regarding the exercise of voting rights and the transfer of such shares or any of the situations envisaged by art. 122 of TUF.

***h) Significant agreements which the company or its subsidiaries are parties to, that would become effective, be modified or expire should there be a change in the control of the company and their effects, and By-laws provisions on takeover bid***

Within the policy aimed at supporting its business and development, Italcementi and its subsidiaries have entered into loan agreements, some of which grant to the lender the right, in case of a change of control of the Company, to terminate the loan agreement in advance and have the consequent right to demand principal and the accrued interest or, lastly, in the case of derivative-based agreements, the right to terminate the outstanding derivative agreements.

As far as takeover bids are concerned, the Company By-laws do not provide for the waiver of the provisions of TUF related to the passivity rule nor is the breakthrough rule stated therein.

***i) Agreements between the company and the directors that envisage compensation in the case of resignation or unfair dismissal or if the office ends following a takeover bid***

For this information, please refer to the Report on Remuneration, published in compliance with TUF.

***l) Laws applicable to the appointment and replacement of directors and to amendments of the By-laws***

For this information, please refer to section "Code of Conduct: corporate governance rules and their implementation".

***m) Delegated powers for share capital increases pursuant to article 2443 of the Italian Civil Code or power granted to directors to issue active financial instruments***

***<u>Delegated powers for share capital increases</u>***

The Board of Directors has the right, once or more times within five years of the shareholders' resolution passed at the extraordinary Shareholders' Meeting of April 28, 2008:

a) pursuant to art. 2443 of the Italian Civil Code, to increase the share capital up to a maximum nominal amount of 500,000,000 euro, free of charge and/or against consideration, through the issue of ordinary and/or savings shares and/or warrants for deferred subscription;

b) pursuant to art. 2420-ter of the Italian Civil Code, to issue bonds convertible into ordinary and/or savings shares or with purchase or subscription rights, up to a maximum amount of 500,000,000 euro, within the limits allowed by law from time to time,

all with the widest powers connected thereto, including the powers to offer shares and convertible bonds or warrants in the form as set out in the penultimate paragraph of art. 2441 of the Italian Civil Code; to reserve up to a quarter of such shares, bonds and warrants pursuant to art. 2441 of the Italian Civil Code, last paragraph; to identify the funds and reserves to be allocated to capital in the case of a free of charge increase; to establish the issue price, conversion ratios, terms and method of execution of transactions.

By resolution of April 19, 2011 at their extraordinary meeting, the shareholders granted to the Board of Directors:

- the power, pursuant to art. 2443 of the Italian Civil Code, to increase the share capital, free of charge and/or against consideration, once or more times within five years of the aforementioned resolution, for a maximum amount of 6,000,000 euro through the issue of a maximum 6,000,000 ordinary and/or savings shares, to be reserved, pursuant to art. 2441 of the Italian Civil Code, paragraph 8:
  * for employees of Italcementi S.p.A. and its subsidiaries, in the case of a free allocation,
  * for employees of Italcementi S.p.A. and its subsidiaries, as well as for employees of its parent companies and other subsidiaries of the latter, in the case of a subscription offer,

both in Italy and abroad and in compliance with the regulations in force in the Countries of the beneficiaries;

- the power, consequently, to establish the entitlement rights to the shares, to establish the timeframes, method, characteristics and conditions of the offer to employees and to set the issue price of the shares, including the related share premium.

***Financial equity instruments***

The Company has not issued financial equity instruments of any kind, nor do the By-laws grant any power for their issue to directors as of the date hereof.

***Authorizations for the purchase of treasury shares***

At their ordinary meeting of April 18, 2012, the shareholders renewed the Company's authorization to purchase and dispose of treasury shares for a period of 18 months from the date of the resolution.

Within the scope of the above authorization, since that date the Company has not purchased any ordinary or savings treasury shares, nor have shares held in its portfolio been used to grant them to beneficiaries of stock options, since no vested rights have been exercised by directors or officers.

Therefore, on December 31, 2012, the Company held:

- 3,793,029 ordinary treasury shares, equal to 2.14% of the share capital represented by ordinary shares, to be used to serve the "Stock option plan for directors" and the "Stock option plan for officers";
- 105,500 savings treasury shares, equal to 0.1% of the share capital represented by savings shares.

## ***MANAGEMENT AND COORDINATION ACTIVITY***

The controlling shareholder of Italcementi, with a stake, excluding treasury shares held by the Company at the time of preparation of this report, equal to 60.36% of the ordinary shares, is Italmobiliare S.p.A., whose majority shareholder is Efiparind B.V.

Italmobiliare S.p.A. is also the company that exercises management and coordination activity over Italcementi pursuant to art. 2497 ff. of the Italian Civil Code.

## ***INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM***

### 1. ***Introduction***

The Internal Control and Risk Management System of Italcementi is an essential element of the corporate governance system and is a set of organizational rules, procedures and structures intended to enable the identification, measurement, management and monitoring of the main risks which the Company and its subsidiaries are subject to.

The Company is currently preparing the Guidelines for the Internal Control and Risk Management System which will be submitted to the approval of the Board of Directors upon opinion of the Control and Risk Committee.

The Internal Control and Risk Management System shall contribute to the management of the Company consistently with the corporate objectives set by the Board of Directors by facilitating the adoption of conscious decisions. It contributes to ensure the preservation of the Company's assets, the efficiency and effectiveness of business processes, the trustworthiness, accuracy, reliability and timeliness of financial information, the compliance with laws and regulations as well as with the By-laws and internal procedures.

The System, in line with the best national and international standards and paying constant attention to the provisions set forth in the Organizational, Management and Control Model, consists of the following three levels of control:

- *Level 1:* first line controls carried out by the heads of operating units that identify and assess the risks and define specific actions for their management;
- *Level 2:* functions in charge of the definition of methodologies and tools for risk management and performance of risk monitoring activities;

- *Level 3:* the Internal Audit function, as well as any other parties that provide objective and independent assessments (the so-called assurance*)* on the design and operation of the overall System.

**2. _Enterprise Risk Management_**

An essential part of the Internal Control and Risk Management System is represented by *Enterprise Risk Management* ("ERM"), understood as an integrated model, prepared in accordance with international best practices*,* to optimize the management of business risks and to define the resulting strategies for their mitigation, supporting the managers' decision-making process through analysis of "risks, expected returns, opportunities for growth in the business".

Within Enterprise Risk Management, Italcementi appointed a *Chief Risk Officer,* head of the Risk Management Dept. with the goal of improving the ability to create value for stakeholders also through a better management of business risk.

ERM uses the COSO methodology *(Committee of Sponsoring Organizations of the Treadway Commission)* and was divided into the following phases:

- identification of the main areas of risk in relation to the Group's strategic objectives and definition of methodologies and tools for the analysis and assessment of related risk events;
- assessment, both at country and Group level, of identified events of risk in terms of impact, chance of happening and time frame, in order to have an overall picture of the Group's risk portfolio;
- selection of priority risks and definition of relevant reaction strategies, governance rules within the Group as well as the actions needed to supplement and improve risk management systems; several risks are managed locally at the subsidiaries level, while the management of those requiring specific expertise or a cross coordination, is centralized;
- implementation of mitigation strategies/actions defined from time to time and development of the *Enterprise Risk Management* process*;*
- information to the top management and control bodies on the main risks and their management and evolution. The risk quantification and occurrence are integrated into the company's management system such as budgets, re-forecasts or analysis studies on the most important investment projects.

Italcementi puts in place continuous actions, detailed in paragraph 4.1 below, which represents the subject of a program of activities integrated into business processes for the purpose of ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

The Company, in accordance with the ERM principles, has identified and categorized the risks considered significant (among which the one relating to financial reporting) and, for each significant risk, has developed appropriate containment actions, has attributed responsibilities to a main contact person *("Primary Risk Owner")* with the task of coordinating and ensuring consistency in responses to risk, has defined guidelines, actions and controls common to the different areas of risk *("Risk Management Guidelines")*, and has defined and implemented strategies aimed at aligning the risk management systems to the desired standards.

**3. _Definition of the nature and level of risk consistent with strategic objectives_**

The Board of Directors establishes a multiannual strategic plan under which it approves a budget on an annual basis.

When approving the annual budget*,* usually occurring at the first Board meeting of each fiscal year, the Board of Directors examines and quantifies the risks, in terms of impact on gross operating profit or loss, which the Company and the Group as a whole are subject to, depending on the strategic objectives it sets for itself.

The analysis, prepared upon instruction of the Director in Charge of the Internal Control and Risk Management System and with the support of the *Chief Risk Officer,* details the level of expected risk in each Country where the Group operates, as well as the various kind of risk, dividing them into two main categories: those that are independent from the determination and the conduct of the Company (general economic situation, political risks, etc.) and those that may be mitigated as a result of appropriate measures undertaken by the Company itself.

In light of the quantification of expected risks, the Board of Directors determines the level of exposure to risk considered acceptable and consistent with the strategic objectives it has defined.

Risk exposure, as measured during the preparation of the budget, is constantly monitored both at Italcementi and Group level; for this purpose each *Primary Risk Owner* prepares a half-yearly report that ranks the most significant risks and, where appropriate, modifies the corresponding mitigation plan previously prepared. The Board of Directors and the Control and Risk Committee are kept informed by the *Chief Risk Officer* on the evolution of risks and their subsequent mitigation.

In addition to the risk analysis conducted in view of the approval of the annual budget, every strategic plan of the Company is preceded by a risk analysis that includes the definition of best and worst case scenarios, the chances of achieving a profit, given by an expected confidence level, and the expected impact of each type of risk, also in light of a series of measures to mitigate risks in regard of which the Company may take action with appropriate measures.

## 4. *Description of the main features of the Internal Control and Risk Management System in regard of the financial reporting process*

### 4.1 Phases of the risk management and internal control system

The risk management and internal control system mitigating risks in relation to the financial reporting process consists of a set of corporate rules and procedures, adopted by the various operating structures, aimed at ensuring trustworthiness, accuracy, reliability and timeliness of financial reporting.

Italcementi has defined its own reference Model for the assessment of the Internal Control and Risk Management System related financial disclosure (hereinafter, in short, “Operational Model”), detailing the operational approach for the performance of activities. This Model is based on the principles contained in the CoSO framework and in the document *“Internal Control over Financial Reporting - Guidance for Smaller Public Companies”,* also developed by CoSO.

In this Model, the risk control system is considered together with the internal control system in relation to the financial reporting process.

The Operational Model defined by Italcementi is based on the following main elements:

a) **Preliminary analysis.** This activity, carried out on an annual basis and whenever deemed necessary, is aimed at identifying and assessing the risks related to the Internal Control and Risk Management System with regard to financial reporting, in order to determine priorities for action related to documentation, assessment and testing of administrative and accounting procedures and related controls. The identification of the relevant quantities and processes is based on quantitative (weight of revenue and assets of a single entity on consolidated amounts, the carrying amount of consolidated financial statement items related to a particular process) and qualitative (the Country in which an entity operates, specific risks, risk levels assigned to the various items) factors;

b) **Operational planning**. Every year the activities are planned on the basis of the priorities identified through the preliminary analysis and other assumptions, if any;

c) **Analysis of controls at company level**. Single entities, within the area of action identified in the preliminary analysis, are responsible for assessing the effectiveness of the internal control system in relation to the governance principles used at entity level (**Entity Level Controls**), as well as for the overall management of the information systems used in the main financial reporting processes and the related IT structure (**Information Technology General Controls**). This must be carried out in accordance with the deadlines established during the operational planning and on the basis of the guidelines, instructions and templates provided by the Manager in charge;

d) **Analysis of controls at process level**. Single entities in the area for action identified in the preliminary analysis are responsible for: a) documenting, with varying levels of detail depending on the level of risk allocated, the identified administrative and accounting processes, b) performing tests to check the effective operation of the key controls, in accordance with the deadlines established during operational planning and on the basis of guidelines, instructions and templates provided by the Manager in charge;

e) **Assessment of the adequacy and effective operation of the administrative and accounting procedures and the related controls**: in order to guarantee compliance with the key requirements for financial reporting ("financial statement assertions"), the Manager in charge, on the basis of the results of the carried out activities and the obtained documentation, assesses the overall adequacy and effective operation of the system of administrative and accounting procedures and the related controls, and more generally, the Internal Control System for these areas.

The Internal Control and Risk Management System, with reference to the financial reporting process has also benefited from:

- the ongoing development of an integrated Corporate Governance system (Organization notices, job descriptions, delegated powers, corporate processes and procedures) whose operational tools are available in a *Knowledge Management Database,* BEST 2.0 *(Business Excellence Support Tool),* which allows easy access to information and facilitates its dissemination across the Group;
- a more detailed organization and planning in relation to the provisions of Law No. 262 of December 28, 2005, containing "Provisions for the protection of savings and the regulation of financial markets" and the subsequent corrective decrees (hereinafter, in short, the "Savings Law"), enacted by law-makers for the purpose of increasing the transparency of financial reporting and strengthening the internal control system of listed companies.

**4.2. Positions and Functions involved**

Financial reporting is manned by the following corporate bodies and functions, which operate with roles and responsibilities defined in the broader Internal Control and Risk Management System:

1) ***Board of Directors,*** to which the Code attributes, among other things, the following tasks:
   a) examining and approving the Strategic Plan, monitoring periodically the related implementation;
   b) defining the risk profile, both as to nature and level of risks, in a manner consistent with the Company's strategic objectives, as determined by the same Board at the time of approval, amendment or revision of the Strategic Plan;
   c) evaluating the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control and risk management system;
   d) upon opinion of the Control and Risk Committee:
      1) defining, in line with the Company's risk profile, the guidelines of the internal control and risk management system, also seeing to its updating, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the Company in a manner consistent with its strategic objectives;

2) assessing, at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System with respect to the Company's characteristics and the risk profile assumed, ensuring that:
- duties and responsibilities are allocated in a clear and appropriate manner;
- control functions, including the Head of Internal Audit, the Manager in charge and the Supervisory Board have been provided with the appropriate resources for the performance of their duties and are granted an appropriate degree of independence within the corporate structure.

3) approving, at least annually, the plan (which should also address the reliability of information systems) drafted by the Head of Internal Audit, having heard the opinion of the director in charge of the Internal Control and Risk Management System and the Board of Statutory Auditors;

4) upon proposal of the Director in charge of the Internal Control and Risk Management System, after also hearing the opinion of the Board of Statutory Auditors, appointing and dismissing the Head of Internal Audit, ensuring that the same is adequately provided with the resources to carry out their responsibilities and defining their remuneration in line with corporate policies;

e) examining and approving the financial statements for the period; assessing the company's operating structure.

2) ***Director in charge of the Internal Control and Risk Management System,*** identified by the Board of Directors at its meeting on April 16, 2010, in the person of the Chief Executive Officer.
According to the Code, he has the task of:

a) identifying the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors at least once a year;

b) implementing the guidelines defined by the Board of Directors, taking care of the planning, implementation and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;

c) proposing to the Board of Directors, after the favorable opinion of the Control and Risk Committee and after hearing the opinion of the Board of Statutory Auditors, the appointment, removal and remuneration of the Head of Internal Audit ensuring its operating independence and autonomy from each head of operating departments, verifying that the same is provided with adequate resources for the fulfillment of the tasks entrusted there to;

d) adjusting such system to the dynamics of the operating conditions and the legislative and regulatory framework;

e) possibly requesting to internal audit function to carry out reviews of specific operational areas and on the compliance of business operations with rules and internal procedures, giving simultaneous notice to the Chairman of the Board of Directors, the Chairman of Control and Risk committee and the Chairman of the Board of Statutory auditors;

f) promptly reporting to the control and risk committee(or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

Under the powers granted to it, the Director in charge of the Internal Control and Risk Management System, at least once a year, and in any case when it deems it necessary or advisable, depending on the circumstances, in case there are any new material risks or there is significant increase in the possibility of a risk, submits major business risks to the examination and assessment of the Board of Directors, as well as the set of control processes implemented and designed to prevent them, reduce them and manage them effectively and efficiently in order to let the Board of Directors make an informed and conscious decision on the strategies and policies for the management of the Company's and the Group's principal risks, with a particular focus on companies that are strategically significant.

Moreover, since the two positions coincide, the Director in charge of the Internal Control and Risk Management System is responsible for issuing, together with the Manager in charge, statements on the adequacy and effective implementation of administrative and accounting procedures, the compliance of documents with applicable international financial reporting standards, compliance of documents with book entries and accounting records, suitability of documents to give a true and fair representation of the financial position and results of operations of the Company and of the Group, etc..

3) ***Control and Risk Committee,*** which, as a body supporting and assisting the Board of Directors, carries out advisory and proactive functions. In particular it:
   a) issues opinions to the Board of Directors whenever the Code provides so;
   b) evaluates together with the Manager in charge, after hearing the external auditors and the Board of Statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of preparing of the consolidated financial statements;
   c) expresses opinions on specific aspects relating to the identification, measurement, management and monitoring of the Company's main risks and the definition of the nature and level of risk deemed compatible with the strategic objectives;
   d) reviews the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the Internal Audit function that are particularly significant;
   e) monitors the independence, adequacy, efficiency and effectiveness of the Internal Audit Function;
   f) whenever deemed necessary or desirable for a better management of business risks, requires the Head of Internal Audit to carry out reviews of specific operational areas, giving simultaneous notice to the Chairman of the Board of Statutory auditors;
   g) reports to the Board of Directors at least half-yearly, on the occasion of the approval of the annual and half-year financial report, on the activity carried out, as well as on the adequacy and effectiveness of the Internal Control and Risk Management System;
   h) promptly exchanges information with the Board of Statutory Auditors relevant to the performance of their respective tasks.

4) ***Chief Operating Officer,*** who, among other things, has the task of overseeing the activities of Italcementi and checking the activities of manufacturing companies directly or indirectly controlled by Italcementi and companies in which it, directly or indirectly, owns a stake that enables it to exercise significant influence. Moreover, the Chief Operating Officer and the Deputy Chief Operating Officer have the duty, together with the Heads of the company's departments directly reporting to the Board involved in the preparation of financial reporting, of issuing specific statements on served data and information, both in relation to their proper representation, and in relation to the effective and efficient implementation of the administrative and accounting procedures in the areas under their responsibility;

5) ***Chief Risk Officer,*** a position established by the implementation of ERM by the Company. It has the task of providing an overview of the Company's and of the Group's principal risks, ensuring that all major risks whether associated with new businesses or existing ones are properly identified, assessed, measured and managed in accordance with the values, policies, guidelines and procedures of the Group.
   In particular, in the context of the Internal Control and Risk Management System, the Chief Risk Officer:
   a) defines and updates the appropriate ERM governance: process, positions and responsibilities related to the main risks;

b) supports the Company and the Group various functions in the integration of risk assessment into strategic planning and business processes;

c) ensures awareness of risk management and process efficiency through the development of an ERM community whose members engage both with the parent and at Country level;

d) oversees the continuous improvement of consistent process methods and tools throughout the Group to identify, assess, and measure key risks, in collaboration with the primary risk owners and the related operational contacts;

e) develops and disseminates the ERM reporting to top management and to the Board of Directors;

f) ensures a regular follow-up to action plans implemented to mitigate risk for all Country risks;

g) helps to spread ERM tools and methodologies such as risk assessment and quantification.

6) ***Manager in charge of preparing the company's financial reports***, who, as provided for in the regulation approved by the Board of Directors, is responsible, among other things, for:

a) planning adequate administrative and accounting procedures for the drafting of the financial statements, the limited interim financial statements and the consolidated financial statements, as well as any other financial communication, by updating such procedures and ensuring dissemination and compliance, as well as verifying their effective application;

b) assessing, together with the Control and Risk Committee and the external auditors, the correct application of accounting policies and their uniformity for the purposes of the consolidated financial statements;

c) handling the periodic reporting to top management and the Board of Directors on the activities undertaken;

d) managing the periodic review of the assessment activities and updating the risk map relating to financial disclosure;

e) taking part in the development of IT systems that have an impact on the company's financial positions and results of operations.

The Board of Directors meeting held on April 16, 2010, confirmed Mr. Carlo Giuseppe Bianchini, Director of Group Administration and Control dept., as the Manager in charge of preparing the company's financial reports, pursuant to Art. 154-bis of TUF and Art. 30 of the By-laws.

The appointment of Mr. Bianchini will expire upon completion of the term of office of the current Board of Directors, i.e. with the approval of the 2012 financial statements.

Pursuant to the By-laws, the Manager in charge of preparing the company's financial reports must:

1) be qualified as a manager and meet the requirements of good reputation set forth by law for members of the Board of Directors;

2) have a total of at least three years' experience in performing administrative/accounting and/or financial and/or control activities at the Company and/or its subsidiaries and/or at other joint-stock companies.

The Board of Directors, upon appointment, provided such Manager with autonomous financial resources to exercise the powers granted to him with the duty to report to the Board of Directors on the financial resources used every six months. Furthermore, the Board of Directors, upon proposal of the Remuneration Committee, defines, at the time of appointment and then annually, the remuneration of the Manager in charge.

7) ***Head of Internal Audit,*** who is entrusted with the task of verifying the functioning and adequacy of the Internal Control and Risk Management System, providing an objective assessment of its suitability to corporate bodies and top management.

He has direct access to all relevant information for the performance of his duties, is not responsible for any operational area and is under the Board of Directors hierarchically.

The Head of Internal Audit reports on the Company's risk management process as well as about the compliance with the management plans defined for risk mitigation, and expresses its assessment to the Board of Directors, Control and Risk Committee, to the Director in charge of the Internal Control and Risk Management System and to the Board of Statutory Auditors on the adequacy of the Internal Control and Risk Management System.

Following the deletion of any reference to the "Controller" in the current version of the Code, now uniquely identified as Head of Internal Audit, the Board of Directors at its meeting held on September 26, 2012, after hearing the opinion of the Board of Statutory Auditors, confirmed Mr. Mauro Maestrini as Head of Internal Audit, who had already been appointed Controller by the Board of Directors on May 6, 2010.

The Head of Internal Audit annually illustrates to the Control and Risk Committee the Internal Audit structure which has been considered appropriate, both in terms of headcount and professional skills, to fulfill the tasks entrusted to it.

The Internal Audit Department in 2012 was subject to a Quality Assurance Review by an independent external entity with an outcome of general compliance with reference international standards.

The Board of Directors meeting of 5 February 2013, having heard the opinion of the Control and Risk Committee, the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System, approved the audit plan prepared by the Head of Internal Audit.

8) ***Supervisory Body,*** which is responsible for the ongoing monitoring of the effective operation and compliance with the Organization, Management and Control model pursuant to Legislative Decree 231/01.

As part of its duties, the Supervisory Body, by overseeing and promoting a rational and efficient cooperation between existing controlling bodies and functions within the Company, periodically meets with executives of the Company in charge of sensitive areas under Legislative Decree 231/01, the Board of Statutory Auditors, the Manager in charge and the representatives of the independent auditors in respect of any matters relevant to the prevention of offenses specified in the Model, including those relating to financial reporting.

This body is autonomous and independent in the exercise of its functions, and its members have adequate qualifications in the field of risk control associated with the specific activities carried out by the Company and its legal aspects. It reports directly to the Board of Directors, which appoints it with a motivated resolution with respect to each member, chosen solely on the basis of qualifications, integrity, competence, independence and functional autonomy requirements.

In order to ensure an efficient and effective Internal Control and Risk Management System, it is provided that the Supervisory Body periodically, and at least every six months, prepares a written report on its activities sending it, together with a documented statement of expenses incurred, to the Chairman of the Board of Directors, the Chairman of the Board of Statutory Auditors, the Chairman of the Control and Risk Committee and the Manager in charge. Such reports contain proposals, if any, for additions and amendments to the Model. The aforementioned periodic report must at least contain or highlight:

i) any problems arising with regard to implementation of the procedures set forth in the Model, adopted in implementation of or in the light of the Model and the Code of Ethics of the Company;

(ii) the warning reports received from internal and external parties in regard of the Model;

(iii) disciplinary procedures and penalties, if any, applied by the Company, with exclusive reference to activities at risk;

(iv) an overall assessment of the functioning of the Model with possible instructions for additions, corrections or changes.

9) *Various* ***company Functions,*** which, as already noted with regard to the Chief Operating Officer, must, to the extent of their competence, ensure the correct representation of the information provided, as well as the efficient and effective implementation of administrative and accounting procedures in the areas under their responsibility.

Lastly, in this context, the ***Board of Statutory Auditors,*** as part of the tasks assigned to it under applicable laws, among other things, oversees the financial reporting process and effectiveness of the internal control, internal audit and risk management systems.

The auditing of the company's accounts, as required by the current applicable laws, was entrusted to independent auditors appointed at the Shareholders' Meeting, upon proposal of the Board of Statutory Auditors. The task of auditing the separate financial statements of Italcementi, the condensed interim consolidated financial statements of the Italcementi Group and performing a review of the consolidated financial statements of the Italcementi Group for the fiscal years 2011-2019 was assigned at the Shareholders' Meeting to KPMG S.p.A. on April 19, 2011.

The sharing and integration of information generated in the various areas is ensured by a structured information flow. In this regard, the quarterly report of the Manager in charge is, for example significant as it reports, among other things, on the results of the performed activities, the problems that emerged, the identified action plans and their state of progress. The same officer, together with the Chief Executive Officer, also supplied the certificate referred to in paragraph 5 of Art. 154-*bis* of TUF.

**5. *Overall Assessment of the Internal Control and Risk Management System***

The Board of Directors, based on the information and evidence collected with the support of the preliminary activity performed by the Control and Risk Committee, with the assistance of the Director in charge of the Internal Control and Risk Management System, the Chief Risk Officer and the Head of Internal Audit, believes that the Internal Control and Risk Management System is appropriate and effective with respect to the structure of the Company and of the Group, the characteristics of the business and assumed risk profile, including with reference to the organizational, administrative and accounting structure that ensures the trustworthiness, accuracy, reliability, timeliness and completeness of financial reporting.

The Board of Directors, however, is aware of the limitations of this assessment, since no risk control and mitigation process can, in absolute terms, protect the Company from the risks that, per se, pertains to any business activity, or the possibility that fraudulent violations of laws and regulations or internal procedures, human error, or extraordinary events cause damage to the Company and Italcementi Group.

## *CODE OF CONDUCT: CORPORATE GOVERNANCE RULES AND THEIR IMPLEMENTATION*

Italcementi has complied with the Code of Conduct for listed companies approved by the Committee for Corporate Governance since its first adoption; the Company has complied with the final version of the Code as last amended by the Committee on December 5, 2011, under board resolution of September 26, 2012, but since the beginning of the year it has been committed to give full implementation to the new principles and recommendations contained therein, as well as to improve and/or formalize those already contained in previous editions.

Moreover, on such occasion, the Board of Directors decided, on one hand, not to adhere to two recommendations of the Code which relate to the establishment of the Appointment Committee and the Shareholders' Meeting Regulations and, on the other hand, to maintain some governance principles set out in its Code of Conduct drawn up in light of previous versions of the Code of Conduct promoted by the Italian Stock Exchange, now outdated. Further details in this regard will be provided in this Report, based on the various topics to be illustrated.

In any case, the Board of Directors is always open to evaluating any new orientations that may occur in the Code and their possible inclusion in the Company's Corporate Governance system, provided that, consistently with Company policy, the recommendations given by the Code allow the Company to enhance its trustworthiness towards investors.

## *A) BOARD OF DIRECTORS*

### *Role and Responsibilities*

The Board of Directors is responsible for defining the strategic direction of the Company and the group to which it belongs and is in charge of its management. To this end, according to the By-laws, it is invested with the broadest powers of ordinary and extraordinary administration of the Company. It may thus carry out all acts, including disposal transactions, which it deems appropriate to achieve the corporate purpose, with the sole exception of those that the law expressly reserves to the Shareholders' Meeting.

In addition to the powers conferred to it by operation of law and by the By-laws regarding the issue of shares and bonds, the resolutions concerning the following matters are also entrusted to the Board of Directors - without prejudice to the Shareholders' Meeting authority, existing by operation of law -, in compliance with Art. 2436 of the Italian Civil Code:

- incorporation of wholly owned companies or companies Italcementi owns ninety per cent of the share capital;
- transfer of the registered office, as long as within the (Italian) national territory;
- establishment or closure of branches, whether in Italy or abroad;
- reduction of share capital in the event of withdrawal of a shareholder;
- amendment of the By-laws to comply with mandatory legal provisions.

The Board of Directors, in compliance with the provisions of the By-laws, meets at least once in each calendar quarter. At such meeting, the delegated bodies report to the same Board and to the Board of Statutory Auditors on significant transactions put in place in the exercise of delegated powers.

The Board of Directors also has the task of passing resolutions regarding:

- transactions with a significant strategic, economic, equity or financial relevance for Italcementi, put in place by the Company itself and by its subsidiaries;
- transactions with related parties, as governed by specific company procedures and in compliance with the conditions provided therein.

Moreover, the Board is entrusted with *i)* the assessment on the overall operating performance, *ii)* the assessment of the adequacy of the organizational, administrative and accounting structure with particular reference to the Internal Control and Risk Management System, which is overseen by the Director in charge of such System, under the powers delegated to it by the Board itself, *iii)* the granting of powers to the executive directors and *iv)* the determination of the remuneration of managers with strategic responsibilities and directors invested with special powers.

The directors act and make decisions on an informed basis and independently pursuing the primary objective of creating value for shareholders. They hold their office being aware that they can devote the necessary time for a diligent performance.

No exception to the non-competition provisions under Art. 2390 of the Italian Civil Code has been authorized by the Shareholders' Meeting nor is required by the By-laws. In addition, no Director is a partner with unlimited liability of any competitors, or exercises a competing business or on its own or on behalf of third parties, or is a director or Chief Operating Officer of competitors.

***Composition***

The By-laws provide that the Company shall be managed by a Board of Directors composed of eleven to twenty one members, appointed by the ordinary Shareholders' Meeting, which remains in office for the period decided at the time of appointment, but in no event for more than three fiscal years and it may be reappointed when their term of office expires.

The Board of Directors currently in office is made up of twenty members, whose term of office expires upon approval of the financial statements for the fiscal year 2012. Seventeen out of twenty members are non-executive and, among these, eleven directors are independent.

Among the twenty Board members, Mr. Giulio Antonello represents the minority shareholder First Eagle Investment Management LLC.

The composition of the Board of Directors is shown in the table infra, as well as at the beginning of this report, where the Directors' *curricula* are also provided, along with their seniority in office.

These *curricula,* in accordance with the regulations, are promptly published on the Company's website at the time of appointment and it is now common practice that, at the Shareholders' Meeting, the Chairman or, on his behalf, the Chief Executive Officer, provides information on the professional qualifications of the candidates and their characteristics and suitability to qualify as independent.

***Appointment and replacement of Board members***

The Company's By-laws, in compliance with the provisions of current legislation, provide that the appointment of the Board of Directors shall occur on the basis of lists that ensure that the minority shareholders obtain the minimum number of directors required by law and should comply with the regulations in force concerning the gender balance.

The lists must be filed at the Company's head offices at least 25 days before the date set for the Shareholders' Meeting on first or single call; this, together with the conditions and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may be filed only by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by CONSOB pursuant to the regulations in force. For 2013, the threshold established for the presentation of candidates' lists for the election of the Board of Directors of Italcementi is 2.5% of the ordinary share capital.

No shareholder may file, or participate in filing, even through a third person or trust company, more than one list or vote for different lists. Shareholders belonging to the same group and shareholders who adhere to a shareholders' agreement relating to the Company's shares may not file or vote for more than one list, either through a third person or through a trust company.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be filed on one list only under penalty of ineligibility.

Pursuant to the By-laws, as amended by the Shareholders' Meeting on April 18, 2012, in order to reflect the rules on gender balance, introduced by the July 12, 2011 Law No. 120, the lists that have a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other of the genders may be represented by at least one third (rounded upwards) of the candidates. However, upon the first renewal of the management body following entry into force of the Law, the relevant transitional provisions provide that the quota of the less represented gender be at least one-fifth of the candidates.

At the time of their filing, lists must include:

a) statements whereby individual candidates:

* accept their candidature;

* under his/her own responsibility state:
- the non-existence of causes for ineligibility
- entitlement to the good reputation requirements established by the law
- entitlement to the independence qualification required by the law and by the Code of Conduct, if any. The latter is a principle already contained in the Code of conduct originally adopted by the Company, now outmoded by the Code and which the Company has complied with. The Board of Directors considered appropriate to keep this principle to be aligned with the best practices governing the matter.

b) a brief resume on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of shareholders who have presented lists. The intermediary certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the Company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The Company By-laws do not provide for good reputation or independence qualification requirements additional to those required for the Statutory Auditors by TUF. Any elected directors whose requirements of good reputation, as set forth by law or the By-laws, become void during their term of office, will forfeit their office.

A list filed not in compliance with the above provisions will be considered as not presented.

At least 21 days before the Shareholders' Meeting date, the Company makes available at the Company premises, at the stock exchange and on its website, the lists of candidates which have been filed by shareholders along with supporting documentation.

In the event of the filing of more than one list:

- all the directors are elected from the list that obtains the highest number of votes at the Shareholders' Meeting, in the order in which they are listed, except for the minimum number reserved by law for the minority shareholders' list;
- the minimum number of directors reserved by law to minority shareholders are elected from the minority shareholders' list that obtains the highest number of votes and is not connected in any way, directly or indirectly, with the majority shareholders;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

For the purposes of the apportioning of the directors to be elected, the lists that have not achieved a percentage of votes at least equal to half of the percentage required for the presentation of lists will not be considered.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is significant for the purposes of excluding the minority shareholders' elected director only if this vote was crucial for the election of said director.

Should a single list be presented, all the candidates included in that list are elected with a simple majority vote of the share capital represented at the Shareholders' Meeting.

If as a result of the voting based on lists or the voting of the only list presented, the composition of the Board of Directors does not meet the current regulations regarding gender balance, the necessary replacements will be carried out within the list that has obtained the highest number of votes or within the only list presented, starting from the candidate in the last place of the same list. Subsequently, if compliance with the requirement concerning the balance between genders is not ensured in the minimum number required by law, there will be similar replacements, again within the list that has obtained the highest number of votes, or within the only list presented.

In the absence of lists, and whenever by means of the voting list mechanism, the number of candidates elected is lower than the minimum number envisaged by the By-laws for its composition, the Board of Directors is respectively appointed or supplemented by the Shareholders at their meeting with the legal majority, provided that the gender balance set forth by current legislation in force is ensured and at least the minimum number of directors holding the independence qualification required by the law is guaranteed.

If during the year, following to resignation or other reasons, one or more directors cease to serve, the others, provided that the majority is still represented by directors appointed by the shareholders at their meeting, shall arrange to replace them by means of a resolution approved by the Board of Statutory Auditors.

Directors are replaced, in compliance with the above requirements of good reputation and independence, with the appointment of unelected candidates belonging to the same list as the directors who no longer serve, following the original order of presentation. Should this not be possible, the Board of Directors will act pursuant to the law. All of the above, in any case, in compliance with the current legislation in force regarding gender balance.

Directors appointed in this manner hold office until the following Shareholders' Meeting.

The Shareholders' Meeting resolves upon the replacement of directors, in compliance with the above principles, with a simple majority of the share capital represented at the Shareholders' Meeting.

The term of directors appointed in this way ends at the same time as that of the directors serving at the time of their appointment.

No limits to re-eligibility of directors have been envisaged, although directors holding the same position for more than nine years in the last twelve years could be considered - on a voluntary basis - no longer to meet the independence qualification pursuant to the Code.

***Executive Directors***

The Company By-laws provide that, unless the Shareholders' Meeting has already done so, the Board is entitled to appoint the Chairman and possibly one or more Deputy Chairmen and to determine their powers.

The Board of Directors may appoint one or more Chief Executive Officers. Moreover, the Board may delegate its powers to an Executive Committee, and determine its powers, the number of its members and its rules of operation. The Chairman of the Board of Directors, the Chief Executive Officer (if appointed) and the Chief Operating Officer, if the latter also covers the office of Director, are Members of the Executive Committee by operation of law; outside of these cases, the Chief Operating Officer will take part in Executive Committee meetings and vote on a purely advisory basis.

The legal representation of the Company in dealings with third parties and in court, pursuant to the By-laws, belongs to the Chairman and, if appointed, to the Deputy Chairman (or Deputy Chairmen) and to the Chief Executive Officer (or Chief Executive Officers).

The Board of Directors has appointed an executive Deputy Chairman, a Deputy Chairman, a Chief Executive Officer and a Chief Operating Officer. The Chief Executive Officer, to whom the Board of Directors, upon appointment, grants duties and powers identifying any quantitative limits, is considered an executive director.

The Chairman and the Executive Deputy Chairman are also included among the executive directors in relation to the duties and powers granted thereto.

The Board also granted the Executive Committee all its powers except those that pursuant to the Civil Code and the By-laws may not be delegated. The resolutions of the Executive Committee are reported to the Board of Directors at its next meeting.

The consistency of direction and coordination of activities is ensured by the presence of the Chairman, of the executive Deputy Chairman, of the Executive Director and of the Chief Operating Officer, of directors and Company managers on the Boards of Directors of the main subsidiaries.

***Division of responsibilities and delegation of powers***

The granting of powers (including those to the Chief Operating Officer) is based on the principle of division of powers.

The delegation of powers, i.e. the assignment of operating powers to one or more persons and/or the Executive Committee, does not exclude the competence of the Board of Directors, which in any case holds a superior steering and controlling power over the Company's general activities as to its various components.

Among the 6 members of the Executive Committee, three are executive directors; as to the remaining, two of whom independent, they are considered, however, non-executive directors, as the Company's Executive Committee meets without any regularity and, in fact, exclusively to address the timely examination of certain transactions and for the adoption of the relevant resolutions. The Code also shares this interpretation provided that, as in this case, the director, a member of the Executive Board, is not given individual executive powers.

Within the Board of Directors, the allocation of powers is as follows:

- to the **Executive Committee**, consisting of six members, all the powers of the Board of Directors, except for those which the Italian Civil Code and the By-laws do not allow to be delegated. As specified at the time of its appointment, the resolutions of the Executive Committee must be reported to the next Board of Directors' meeting;
- to the **Chairman**, Mr. Giampiero Pesenti, considering his role in the holding company and his consolidated experience in the Company industry, among other duties and in addition to the powers set out by the Company By-laws and by the other Corporate Governance Codes, the duties to oversee application of the Corporate Governance principles approved by the Board of Directors and to propose any amendment to them; indicate general strategic guidelines for Group business; specify the general policies for annual and interim financial statements as well as the general financial policies of the Group; approve the most important organizational changes (regarding both Italcementi and the main direct or indirect subsidiaries) upon proposals of the Chief Executive Officer or of the Chief Operating Officer; approve the significant changes to the Group's corporate structure; approve, for further submission to the Board of Directors or the Executive Committee, the most important transactions regarding acquisitions, disposals, capital expenditure, development in new initiatives and, generally, extraordinary transactions; indicate general policies for recruiting, training and managing staff and determine, also upon proposals of the Chief Executive Officer, the recruitment, remuneration (after consulting the Remuneration Committee and receiving the approval of the Board of Directors where envisaged), promotions, transfers, suspensions, termination or contract review for senior managers of the Group in Italy and in the other Countries where the Group operates; deal with external communication.

  In addition, besides the powers needed to carry out the assigned duties, the Chairman has been granted powers to undertake securities and real estate transactions, with a limit of 50 million euro for each individual operation with single signature and 75 million euro with joint signature with the Chief Executive Officer or the Chief Operating Officer;

- to the **Executive Deputy Chairman**, Mr. Pierfranco Barabani, the powers to undertake real estate transactions up to the limit of 15 million euro for each individual transaction;
- to the **Deputy Chairman**, Mr. Lorenzo Renato Guerini, the duty of supporting international development by coordinating activities within the scope of Strategic Planning, as well as of the Research center, and making proposals on potential partners and institutions able to contribute to the definition of the Group's international development projects;
- to the **Chief Executive Officer**, Mr. Carlo Pesenti, among other duties, the responsibility for supervising management policies, business development strategies and coordination of the Company's and of the main direct or indirect subsidiaries' operations, issuing the appropriate instructions to the Chief Operating Officer and the other corporate bodies; proposing organizational and corporate structure changes; drafting the separate and consolidated financial statements, including the half-yearly and quarterly reports as envisaged by the law; preparing, with the assistance of the Chief Operating Officer, the annual budgets for Italcementi S.p.A. and the Group and long-term strategic plans; overseeing the financial management of the Company and the Group; signing technical/administrative contracts with subsidiaries and associated companies; under the general policies indicated by the Chairman, defining policies relating to the choice of senior managers and staff management of Italcementi S.p.A. and of the main direct or indirect subsidiaries; recruiting staff at all levels; appointing every kind of consultant.

  Moreover, the Chief Executive Officer has been granted the necessary powers to undertake actions regarding:

  - industrial transactions (technical, manufacturing, commercial, administrative) up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Executive Deputy Chairman or the Chief Operating Officer;
  - securities and real estate transactions up to a limit of 50 million euro for each individual transaction with single signature and 75 million euro with joint signature with the Chairman or the Chief Operating Officer.

The Board of Directors meeting of April 16, 2010, assigned to the **Chief Operating Officer**, Mr. Giovanni Ferrario, the duties, among other things, of overseeing and directing the technical, manufacturing, and commercial activities of Italcementi; directing, coordinating and controlling the activities of the industrial subsidiaries; formulating and submitting proposals to the Chief Executive Officer for changes to the Company's organization; ensuring the best efficiency of the corporate production units and of the Italian subsidiaries and their compliance with the regulations and laws in force; determining and cooperating with the Chief Executive Officer in establishing staff management guidelines.

Moreover, the Chief Operating Officer has been granted powers to undertake actions pertaining to industrial transactions (technical, manufacturing, commercial, administrative and some financial) up to a limit of 20 million euro for each individual operation and real estate transactions up to a limit of 15 million euro for each individual operation.

The limits set for the powers granted respectively to the Executive Deputy Chairman and the Chief Operating Officer are doubled should their signature be combined with that of the other. Moreover, and solely for industrial activities, the limits set for the powers granted to the Chief Operating Officer are doubled should his signature be combined with that of one of the Deputy Chief Operating Officers, if appointed.

The Chief Executive Officer and the Chief Operating Officer have assigned specific and more limited powers to officers of the Company within their area of activities.

The Chief Executive Officer and the other executive directors have periodically reported to the Board of Directors and the Board of Statutory Auditors, as envisaged by the Code and by the Company By-laws, about activities undertaken within their assignments and powers. Moreover, the most important operations with an impact on the financial statements undertaken by the Company, the main transactions with related parties as well as transactions leading to potential conflicts of interests, have been submitted to the Board of Directors, even when within the limits of their powers.

***Group interdepartmental bodies***

To implement the policies of the Board of Directors, a number of bodies not provided for by the By-laws have been established with duties of operational coordination and integration which do not, however, modify the responsibilities and powers of the functions represented in that bodies.

Moreover, a Committee of Officers operates at Group level, chaired by the Chief Operating Officer of Italcementi, who also holds the post of Chief Operating Officer of the main subsidiary Ciments Français S.A., under the supervision of the Chief Executive Officer of the Company. This Committee is made up of officers of some executive departments of both companies.

The Committee of Officers meets periodically to ensure operational consistency with the strategic choices and objectives set by the Boards of Directors of the various companies.

Finally, the Conference of Officers is organized to raise awareness of strategic and organizational guidelines and of the main group projects. Besides the members of the Committee of Officers, a small number of other senior Group managers take part in the Conference of Officers.

***Independent Directors***

In accordance with the regulations in force, at least one of the members of the Board of Directors, or two in case it is composed of more than seven members, must meet the independence requirements established by law for members of the Board of Statutory Auditors.

The Code also requires that the number and qualifications of independent directors are adequate in relation to the size of the Board and to the Company's activities and such as to allow the establishment of committees within the Board; also under the Code, the independent directors must be two at least.

In accordance with the specific rules applicable to listed companies subject to management and coordination of another listed company, one of the conditions to keep the listing is that the Board of Directors is composed of a majority of independent directors.

In implementation of the provisions and recommendations mentioned above, each individual concerned, upon submission of the lists of candidates for the office of director, must declare that he/she meets the requirements for independence under the TUF and pursuant to the Code; the Board of Directors, at its first meeting after the appointment of its members, will, on the basis of information provided by each person or information available to the Company, verify that directors who have declared to be independent actually meet the independence requirements.

Moreover, at the time of preparing the annual Report on Corporate Governance, the Company reiterates its request to all directors in office to declare the existence or not of such requirements. Their responses are annually submitted to the Board for the consequent independency evaluation.

The results of such verification are communicated to the market on each occasion and shown on the page regarding corporate bodies, which opens this document, and in the table shown below.

In case the independence requirements prescribed by law are no longer met, the director concerned must give prompt communication thereof to the Board of Directors. This circumstance entails the removal from office of such director, except in cases where such requirements are still met by at least the minimum number of directors required by current legislation.

The current Board of Directors consists of eleven directors meeting the requirements of independence provided by law and are also considered independent on the basis of the criteria set out in the Code.

The Board of Directors shared the assessment made by the Directors Ettore Rossi, Attilio Rota and Emilio Zanetti, who considered themselves independent despite having held the directorship for more than nine years over the last twelve years.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members.

***Lead Independent Director***

The Code provides that, should the Chairman of the Board of Directors be the main officer in charge of company management, and also when the position of Chairman is held by the person who controls the Company, the Board should appoint an independent director as "*Lead independent director*", to provide a reference for and coordinate requests and contributions of non-executive directors and, in particular, independent directors.

The Board of Directors meeting of April 16, 2010, appointed Mr. Alberto Clô, an independent director, as "*Lead independent director*".

In the course of 2012, the *"Lead Independent Director"* met once with the other independent directors to conduct a thorough evaluation of the Company's governance system and the activities carried out by the Board of Directors during the fiscal year and throughout the period of his term, which will end with the approval of the financial statements as at December 31, 2012.

***Remuneration for Directors and Officers with strategic responsibilities***

The remuneration for Directors was determined by the Shareholders' Meeting held on April 19, 2011 that, until a new resolution, set such remuneration in the amount of 45,000 euro per year for each director, to be doubled in the event that the same is also a member of the Executive Committee.

The remuneration of the Chairman, the executive Deputy Chairman, the Deputy Chairman, the Chief Executive Officer, the Chief Operating Officer, the Manager in charge of preparing the company's financial reports and the Head of Internal Audit is determined by the Board of Directors, in the absence of the concerned parties, on the proposal of the Remuneration Committee, having heard the opinion, when required, of the Board of Statutory Auditors and of the Committee for Transactions with Related Parties.

A significant part of the remuneration of the Chairman, of the Executive Deputy Chairman and of the Chief Executive Officer is linked to financial performance and the achievement of specific targets set beforehand and determined in accordance with the remuneration Policy which the Company has adopted.

For detailed information please see the Remuneration Report prepared pursuant to Art. 123-*ter* of TUF and approved by the Board of Directors on March 5, 2013.

***Limitations on the number of offices***

The Board of Directors meeting of September 26, 2012, in accordance with the Code, resolved that:

- five (for the office of executive director) and
- ten (for the office of non-executive or independent director or statutory auditor)

is to be considered the maximum number of offices as director or statutory auditor held in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies that can be considered compatible with the effective performance of the office of Company director, with the exception of its subsidiaries, parent companies and companies subject to joint control.

A list of offices as director or statutory auditor held by each director in other companies listed on regulated markets even abroad, in financial, banking, insurance or major companies is set out below:

| | | |
|---|---|---|
| Giampiero Pesenti | * Italmobiliare S.p.A. | - Chairman and Chief Executive Officer |
| | * Ciments Français S.A. | - Director |
| | (*on behalf of Italcementi S.p.A.)* | |
| | * Compagnie Monegasque de Banque | - Director |
| | * Credit Mobilier de Monaco | - Director |
| | * Finter Bank Zürich | - Director |
| | * Mittel S.p.A. | - Director |
| Pierfranco Barabani | * SACBO S.p.A. | - Director |
| L. Renato Guerini | * 035 Investimenti S.p.A. | - Chairman |
| | * UBI Leasing S.p.A. | - Chairman |
| Carlo Pesenti | * Italmobiliare S.p.A. | - Director – Chief Operating Officer |
| | * Ciments Français S.A. | - Deputy Chairman |
| | * Mediobanca S.p.A. | - Director |
| | * RCS MediaGroup S.p.A. | - Director |
| Giulio Antonello | * Alerion Clean Power S.p.A. | - Chief Executive Officer |
| | * Industria e Innovazione S.p.A. | - Director |
| | * Reno de Medici S.p.A. | - Director |
| Alberto Bombassei | * Brembo S.p.A. | - Chairman – Chief Executive Officer |
| | * Atlantia S.p.A. | - Director |
| | * Nuovo Trasporto Viaggiatori S.p.A. | - Director |
| | * Pirelli & C. S.p.A. | - Director |
| | * Fiat Industrial S.p.A. | - Director |
| Giorgio Bonomi | * Italmobiliare S.p.A. | - Director |
| | * IGP - Decaux S.p.A. | - Director |
| Alberto Clô | * Atlantia S.p.A. | - Director |
| | * De Longhi S.p.A. | - Director |
| | * Iren S.p.A. | - Director |
| Federico Falck | * Falck S.p.A. | - Chairman |
| | * Falck Renewables S.p.A. | - Chairman |
| | * Banca Popolare di Sondrio S.c.r.l. | - Director |
| | * Avvenire Nuova Editoriale Italiana S.p.A. | - Director |
| | * Falk Renewables Wind Ltd. | - Director |
| Carlo Garavaglia | * Comitalia Compagnia Fiduciaria S.p.A. | - Chairman of the Board of Statutory Auditors |
| | * Cordifin S.p.A. | - Director |
| | * De Longhi S.p.A. | - Director |
| | * Eunomia S.p.A. | - Chairman |
| | * Habitat S.p.A. | - Statutory Auditor |
| | * Unione di Banche Italiane S.c.p.a. | - Supervisory Director |
| | * Del Clima S.p.A. | - Director |

| | | |
|---|---|---|
| Italo Lucchini | * Italmobiliare S.p.A. | - Deputy Chairman |
| | * Unione di Banche Italiane S.c.p.a. | - Supervisory Director |
| | * Ciments Français S.A. | - Director |
| | * BMW Italia S.p.A. | - Chairman of the Board of Statutory Auditors |
| | * San Colombano S.p.A. | - Chairman of the Board of Statutory Auditors |
| | * Fedrigoni S.p.A. | - Chairman of the Board of Statutory Auditors |
| Sebastiano Mazzoleni | * Italmobiliare S.p.A. | - Director |
| | * Ciments Français S.A. | - Director |
| | (*on behalf of Italcementi Ingegneria S.r.l.)* | |
| Yves René Nanot | * Ciments Français S.A. | - Chairman |
| | * Asia Cement Public Co. Ltd | - Director |
| | * Ciments du Maroc | - Director |
| | * Essroc Corporation | - Director |
| | * Suez Cement Company | - Director |
| | * Zuari Cement Ltd | - Director |
| Marco Piccinini | * Ferrari S.p.A. | - Director |
| | * Finter Bank Zürich | - Director |
| | * Montezemolo & Partners S.p.A. | - Director |
| Attilio Rota | * Banca d'Italia - branch of Bergamo | - Director - Examiner |
| Carlo Secchi | * Mediolanum S.p.A. | - Chairman |
| | * Mediaset S.p.A. | - Director |
| | * Pirelli & C. S.p.A. | - Director |
| Elena Zambon | * Secofind S.I.M. S.p.A. | - Chairman |
| | * Zambon S.p.A. | - Chairman |
| | * Zambon Company S.p.A. | - Director |
| | * Fondo Strategico Italiano S.p.A. | - Director |
| Emilio Zanetti | * Unione di Banche Italiane S.c.p.a. | - Chairman of the Management Board |
| | * Banca Popolare di Bergamo S.p.A. | - Chairman |
| | * SACBO S.p.A. | - Deputy Chairman |

***Meetings of the Board of Directors***

The Chairman coordinates the activities and conducts the meetings of the Board of Directors and ensures that the documentation relating to items on the agenda is disclosed to the directors and statutory auditors properly in advance. In particular, the Board of Directors meeting of September 26, 2012, set as at least *two working days* the prior notice period to be observed in order to submit the aforementioned documentation. Such prior notice period has been not only always met during fiscal year 2012, but on several occasions the documentation was sent to the interested parties before the deadline, often by sending it in two *tranche,* in order to allow the recipients to examine in advance the material so far prepared for the board meeting. When the material on certain items on the agenda is particularly complex, special explanatory notes prepared on each occasion by the competent corporate functions are also sent in order to facilitate the adoption of resolutions by board members on these issues. All documentation is sent by e-mail in files protected by passwords only known to the recipients in order to preserve confidentiality of the data and information provided.

Moreover, the Chairman, through the competent company functions, ensures that directors participate in initiatives aimed at increasing their knowledge of the company's operations and dynamics and are informed on key legislative and regulatory developments having an impact on the Company and its corporate bodies.

The Board meets at least every quarter to approve the financial statements for the period. At such meeting, the delegated bodies must report on the activities performed by virtue of their respective powers. Moreover, pursuant to the By-laws, the Board meets anytime deemed necessary by the Chairman, or the Deputy, or when a written request is made by at least one third of its members.

The Board of Directors, during fiscal year 2012, held a total of 6 meetings in which 16 directors, 7 of which independent, were always present; 2 directors, both independent, attended 5 times; an independent director attended 4 times; an independent director attended 2 times. The meetings of the Board of Directors were always attended by all the members of the Board of Statutory Auditors.

All meetings of the Board of Directors were attended, by invitation, by the Company's Chief Operating Officer and by the Manager in charge of preparing the company's financial reports. The meetings were also attended by some executives of the Company and of its subsidiaries and individual heads of corporate functions to provide additional information on the topics put on the agenda from time to time.

The average duration of the meetings of the Board of Directors held during the year was about 3 hours and 30 minutes.

As required by the Code and as per common practice, the Board, when examining and approving the financial statements for the period, taking into particular consideration the information received from the delegated bodies, evaluates the overall performance of management by comparing the results achieved with those planned in the the Strategic Plan and annual budget.

During 2013, the Board of Directors has so far met twice, the first time to examine the revenues of 2012 and forecasts for 2013 and the second time to approve - among other things - the 2012 draft financial statements. At least further 4 board meetings are scheduled for the current fiscal year, three for the approval of interim accounting reports and one after the Shareholders' Meeting for the appointment of corporate offices and the granting of related powers.

The corporate calendar is annually disclosed to the market and published on the Company's website in the section Investor Relations / Calendar of events. The 2013 calendar was published in November 2012.

The Executive Committee met once with the attendance of all its members in the course of 2012. The duration of the meeting was equal to one hour and 25 minutes. The Executive Committee has not met yet in 2013.

***Succession plan for top management***

Two Board of Directors meetings held in 2012, first examined and then approved a plan, developed with the assistance of a consultancy firm for the establishment of a solid *succession planning* and *business continuity* process in order to identify credible alternatives to the Company's and the Group's top management by making assumptions regarding possible succession in the short or medium term.

The succession plan has been developed in several stages: firstly, the definition of the expected profile for each position of top management, followed by the identification of internal candidates for succession, and after the performance of a risk assessment concerning each position, the scouting for potential external candidates, if any, is performed; thereafter, the preparation and development of the Plan takes place.

With particular reference to the risk assessment, the succession planning provides for the detection of risk associated with covering a top managerial position that must be carried out depending on different elements (current position covered, manager's seniority in the position, manager's attractiveness for the open market, strength of internal candidates for succession, ease of finding external candidates on the market), on the basis of which the level - low, medium or high - of risk associated with the position is determined. The aggregation of risks relating to top management positions makes up the Managerial Risk Map for the Group.

However, with respect to the definition of the managers' expected profile, it is based on three essential elements:

i) general management skills and skills specific to the industry where the Company operates;

ii) performance and potential: the performance level reflects the individual's assessment in his/her current role, and his/her potential reflects the ability to expand the scope of action and complexity of responsibilities; potential is determined by agility in learning, ambition and skills, and is articulated on three different axes: functional usability, inter-functional usability and geographical usability;

iii) conformity to the role, in comparison with the open market.

The combination between the expected managerial profile and the risk assessment for each position forms the basis for possible actions on the market: in particular, in case of high risk, a scouting of external candidates will be performed. The succession planning process for senior positions, as approved by the Board of Directors, is primarily focused on the business and expectations for the position in the future. It also provides a solid coverage for less urgent successions and a contingency plan for crisis situations.

There have been a total of 54 interviews so far, which began on September 29, 2012 and ended on February 18, 2013; feedback reports are currently being drafted, 10 of which have already been completed and delivered to the parties concerned.

***Establishment of committees***

In order to ensure the effective performance of its functions, the Company's Board of Directors has set up an internal Remuneration Committee and an Control and Risk Committee whose resolutions have a consultative and advisory nature and do not bind the Board.

Moreover, pursuant to the rules applicable to transactions with related parties, the Board has, upon adoption of the relevant procedure, established an internal Committee for Transactions with Related Parties, composed of independent directors only, and it is composed of the same members as the Control and Risk Committee.

In carrying out their functions, the above mentioned committees are entitled to access corporate information and functions necessary for the performance of their duties, and may use external consultants at the expense of the Company.

Each Committee appoints a secretary, who does not need to be a member thereof and is entrusted with the task of drawing up the minutes of the meetings.

However, in accordance with its shareholder structure characterized by the stable presence of one controlling shareholder with the absolute majority of shares entitled to vote, the Company decided not to proceed with the establishment of a "Appointment Committee".

*a) Control and Risk Committee*

In compliance with the provisions of the Code, the Control and Risk Committee has the task of supporting, through adequate preparatory work, the assessments and decisions of the Board of Directors relating to the Internal Control and Risk Management System, as well as those regarding the approval of interim financial statements.

The Control and Risk Committee consists of four members, all non-executive and independent. All of its members have an adequate expertise in accounting and finance, as required by the Code for at least one of them.

During 2012, the Control and Risk Committee met 7 times always with the attendance of all of its members. The average duration of its meetings was approximately two hours. 5 meetings were attended by all members of the Board of Statutory Auditors; one meeting was attended by two statutory auditors and the remaining meeting by one statutory auditor.

During fiscal year 2012, the Committee, among other things:

a) examined and approved of the methodology used by the Company for the preparation of impairment tests;
b) considered correct the implementation of accounting standards and their uniformity for the purposes of preparing the consolidated financial statements;
c) reviewed and approved the 2012-2014 three-year Audit Plan;
d) had been constantly informed on developments on the seizure and subsequent release of the Cement Plant in Colleferro and, in general, on all activities relevant to the Company and the Group in order to identify risks and identify measures for its mitigation;
e) was informed about the conduct and outcome of the Quality Assurance Review which the Internal Audit Department was subjected to upon proposal of the Manager in charge of the Internal Control and Risk Management System and in accordance with international audit standards that require third-party assessments of Internal Audit should be repeated at least every 5 years by qualified and independent third-party Auditors (the previous assessment dated back to 2007);
f) had been constantly informed by the Chief Risk Officer on the work performed for the identification, monitoring and mitigation of risks which the Company is exposed to;
g) examined the reports prepared by the Head of Internal Audit to verify the adequacy, efficiency and effectiveness of the Internal Control and Risk Management System;
h) reported to the Board of Directors, when approving the annual and semi-annual financial reports, on its activities and on the adequacy of the Internal Control and Risk Management System.

Executives of the Company and of its subsidiaries from time to time responsible for the matters on the agenda are regularly invited to the meetings of the Control and Risk Committee to provide the appropriate in-depth information; first and foremost, the Manager in charge of preparing the Company's financial and business reports, the Chief Risk Officer and the Head of Internal Audit.

During 2013, the Control and Risk Committee has so far met twice to discuss, among other things, the methodology of the impairment test for fiscal year 2012, the accounting policies adopted for the preparation of the 2012 consolidated financial statements, the final report on 2012 Audit activities and the Audit Plan for 2013, the latter in turn submitted to the approval of the Board of Directors at its meeting on February 5, 2013.

On February 21, 2013, the Committee also examined the part of this Report regarding the description of the Internal Control and Risk Management System and it gave a positive opinion thereon.

*b) Remuneration Committee*

The Remuneration Committee, under the Code, is responsible for (i) periodically assessing the adequacy, overall consistency and actual implementation of the policy for the remuneration of directors and managers with strategic responsibilities, submitting proposals to the Board of Directors, and (ii) submitting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors who hold particular offices, as well as on the setting of performance targets related to the variable portion of such remuneration. The Remuneration Committee is also required to monitor the implementation of the resolutions adopted by the Board, in particular, by verifying the actual achievement of performance targets.

The Remuneration Committee currently in office is made up of three non-executive members, the majority of whom are independent. Pursuant to the Code, the chairperson Mr. Emilio Zanetti was chosen from among its independent members. All of its members are in possession of adequate experience in accounting and finance, as required by the Code for at least one of them.

The Committee, in the absence of the concerned parties, examined, and subsequently approved, the remuneration policy for executive directors vested with special powers and managers with strategic responsibilities and submitted proposals to the Board of Directors on the remuneration of directors and managers also on the basis, with reference to the variable portion, of the degree of achievement of targets assigned for the previous year.

During the fiscal year the Committee met twice; the average duration of its meetings was about one hour and a half. Two out of three members of the Committee attended both meetings. All Statutory Auditors attended the first meeting, while two Statutory Auditors attended the second one.

The Group's Head of Human Resources and Organizational Development is regularly invited to take part in Committee meetings.

In the course of 2013 the Remuneration Committee has so far met once to submit proposals to the Board of Directors regarding the remuneration of directors and executives.

c) *Committee for Transactions with Related Parties*

The Committee for Transactions with Related Parties is composed of four members, all non-executive and independent.

During 2012, the Committee met once with the attendance of all its members, in order to analyze a proposed transaction with related parties whose execution, in accordance with the relevant Procedure approved by the Company in November 2010, was subject to its prior non-binding opinion (as a "transaction of lesser importance") on the Company's interest in its conclusion. The Committee issued its favorable opinion on the transaction.

***Assessment of the functioning of the Board of Directors and its Committees***

The Board of Directors, with the support of a firm specialized in the relevant industry, Heidrick & Struggles, having no other professional or commercial relationship with Italcementi or with other Group companies, performed in February 2013 an assessment on the size, composition and functioning of the Board itself and of the committees it is divided into, in compliance with the corporate governance rules set forth by the Code.

The outcome of said assessment conducted by the advisory firm is attached hereto under Attachment 1.

## *B) BOARD OF STATUTORY AUDITORS*

***Role and responsibilities***

The Board of Statutory Auditors oversees compliance with the law and the By-laws and it has management control functions, in particular having to check: compliance with the principles of good administration; adequacy of the Company's organizational structure, of the internal control system and the administrative and accounting system; actual implementation of the Code; compliance with the procedure adopted by the Company in respect of transactions with related parties; adequacy of the instructions given by the Company to its subsidiaries in respect of the obligations of public disclosure of sensitive information.

It has not been assigned the audit of the company's accounts, which, as required by law, was entrusted to an audit firm chosen from among those enrolled in the appropriate register, while it has the task, at the time of the appointment, to submit a reasoned proposal to the Shareholders' Meeting regarding the choice of such firm.

The Board of Statutory Auditors, in its capacity as Control and Risk Committee, as established by January 27, 2010 Legislative Decree No. 39, is also required to perform additional supervision tasks, as assigned to it by such provisions of law, on the financial reporting process, on the effectiveness of the internal control and internal audit and risk management systems; on the audit of the annual financial statements and consolidated financial statements, on the independence of the audit firm.

***Appointment and replacement of statutory auditors***

The Board of Statutory Auditors is appointed on the basis of lists aimed at ensuring the appointment of one Acting Auditor and one Substitute Auditor for minority shareholders, as well as compliance with current legislation regulating gender balance.

Lists must be filed at the Company head offices or by sending notice to the certified electronic mail address indicated in the notice of call, at least 25 days before the date set for the Shareholders' Meeting in first or single call; this, together with the means and minimum stake required to file the lists, must be mentioned in the notice of call.

Lists may only be presented by Shareholders who, alone or together with other shareholders, are able to provide evidence that they hold a percentage of the share capital with voting rights no lower than that determined by CONSOB pursuant to the regulations in force for the appointment of the Board of Directors. For 2012, the established threshold is 2.5% of the ordinary share capital.

No shareholder may file or participate in the presentation of more than one list, directly or through a third party or trust company, or vote for different lists.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement on the Company shares may not file or vote for more than one list, neither through a third party or trust companies.

Lists filed in violation of these restrictions will not be accepted.

Each candidate may be on one list only under penalty of ineligibility.

The lists that have a total number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other gender is represented by at least one third (rounded upwards) of candidates for the office of Acting Auditor and at least one third (rounded upwards) of the candidates for the office of Substitute Auditor. At the time of their filing, lists must include:

a) statements whereby individual candidates:
   * accept their candidature;
   * under his/her own responsibility state:
     - entitlement to the professional requirements envisaged by the By-laws;
     - the non-existence of causes for ineligibility or incompatibility;
     - entitlement to the good reputation requirements established by the law;
     - entitlement to the independence criteria required by the law and by the Code of Conduct, if any;

b) a brief curriculum on the personal and professional skills of each candidate with an indication of their position as director and statutory auditor in other companies;

c) information on the identity of the shareholders who have presented lists. The certification or statement proving ownership of the shareholding prescribed by the law in force when the list is presented may also be produced after the filing of the list provided that it reaches the company within the term envisaged by the regulation in force for the publication of lists by the Company;

d) a statement by the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection, as defined by the law in force.

A filed list that does not comply with the above provisions will be considered as not presented.

In the event that, by the deadline of 25 days preceding the date of the Shareholders' Meeting, a single list has been filed, or only lists presented by shareholders who are connected to each other pursuant to current regulations, further lists can be presented until the following third day and the participation threshold indicated in the notice of call will be halved.

At least 21 days before the date envisaged for the Shareholders' Meeting which is called to appoint the Board of Statutory Auditors, the Company shall make available at the company head offices, at the Italian stock exchange and on its website, the lists of candidates which have been submitted by shareholders and the accompanying documentation.

In the event of filing of more than one list:

- the list that obtains the highest number of votes at the Shareholders' Meeting elects two acting Auditors and two substitute Auditors, in the order in which they are listed in the sections of the list;
- the minority shareholders' list that obtains the highest number of votes among the lists presented and voted by shareholders who are not connected in any way, directly or indirectly, with the majority shareholders, elects the third acting Auditor and the third substitute Auditor, in the order in which they are listed in the sections of the list;
- should more than one list obtain the same number of votes, a runoff is held on these lists among all the shareholders present at the Shareholders' Meeting, and the candidates are elected from the list that obtains the majority of the share capital represented at the Shareholders' Meeting.

Should a party connected to a majority shareholder vote for a list of the minority shareholders, the connection is relevant for the purposes of excluding the minority shareholders' elected Auditor only if this vote was crucial for the election of said auditor.

Should a single list be presented, all the candidates included in that list are elected with a majority vote of the share capital represented at the Shareholders' Meeting.

If, as a result of voting several lists or voting the only list presented, the composition of the Board of Statutory Auditors, as to its acting members, does not meet the current regulations regarding balance between genders, the necessary replacements will be made choosing from among candidates to the office of acting auditor of the list that has obtained the highest number of votes or from within the only list presented starting from the last candidate from that list.

Should no lists be presented, the Shareholders' Meeting appoints the Board of Statutory Auditors with a majority vote of the share capital represented at the Shareholders' Meeting, provided gender balance is ensured as pursuant to current legislation in force. The Chairmanship of the Board of Statutory Auditors lies with the person indicated in first place on the list presented and voted by the minority shareholders, or with the first name in the single list presented or with the person appointed as such by the Shareholders' Meeting should no lists be presented.

Pursuant to the By-laws of Italcementi, those who are in situations of incompatibility as envisaged by the law or those who have exceeded the limit to the number of offices held as established by the regulation in force, cannot be elected as Auditors, and if elected cease to serve.

Should an elected Auditor during his/her term of office no longer satisfy the requirements envisaged by the law or the By-laws, his/her office terminates.

When it is necessary to replace an acting Auditor, the substitute Auditor belonging to the same list as the removed auditor takes over.

In the absence thereof, in accordance with the original order of presentation, the candidate from the same list as the ceased Auditor takes over, without taking the initial section into account.

Should the replacement concern the Chairman of the Board of Statutory Auditors, the position will be taken over by the Auditor of the minority shareholders.

Auditors appointed in this manner hold office until the following Shareholders' Meeting.

Should it be necessary to supplement the Board of Statutory Auditors:

- to replace an Auditor elected from the majority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original majority list;

- to replace an Auditor elected from the minority shareholders' list, the appointment takes place with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the original minority shareholders' list;
- for the simultaneous replacement of Auditors elected in the majority and the minority shareholders' lists, the appointment occurs with a simple majority vote of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated in the list which each Auditor to be replaced was part of, with a number of Auditors equal to the number of ceased Auditors belonging to the same list.

If it is not possible to proceed as above, the Shareholders' Meeting called to supplement the Board of Statutory Auditors passes a resolution with a simple majority of the share capital represented at the Shareholders' Meeting, without prejudice to the principle whereby one Acting Auditor and one Substitute Auditor must be appointed by minority shareholders. In any case, the Chairmanship of the Board of Statutory Auditors must be assigned to the auditor representing the minority shareholders. The procedures on replacements as indicated in the previous paragraphs must in any case ensure compliance with current legislation regulating gender balance.

Auditors accept their appointment when they believe they can devote the appropriate time to the diligent performance of their duties.

***Composition and activities***

When renewing the Board of Statutory Auditors by the Shareholders' Meeting of April 18, 2012, the majority shareholder presented its own list of candidates. Minority shareholders did not present a list.

Therefore, among the Auditors currently in office, no one is representing the minority.

The current composition of the Board of Statutory Auditors already reflects the gender balance required by law, because it consists of two female statutory auditors and one male auditor.

***C) SHAREHOLDERS' MEETING AND INVESTOR RELATIONS***

The Company endeavors to develop a dialogue with shareholders based on an understanding of each other's roles, and with the market, in accordance with the laws and rules governing the dissemination of price sensitive information. The Company's behaviors and procedures are designed, among other things, to avoid information asymmetries and to ensure the effectiveness of the principle whereby all investors and potential investors are entitled to receive the same information in order to make sound investment decisions.

The meeting is called, according to the laws and regulations provided for companies whose shares are listed on regulated markets, to pass resolutions on matters reserved to it by law. The decisions taken in accordance with the law and the By-laws are binding on all shareholders, including those absent or dissenting, except the right of withdrawal in allowed cases.

The Board of Directors recommends to all of its members to regularly participate in Shareholders' Meetings and seeks to encourage and facilitate the widest possible participation of shareholders and to facilitate the exercise of voting rights.

To this end, the Board of Directors reports to the Shareholders' Meeting on the activities it has carried out and planned and endeavors to ensure that shareholders have adequate information so that they can take the decisions pertaining to the Shareholders' Meeting with knowledge of the facts.

All those who have the right to vote as attested by the communication required by current laws received by the Company by the end of the third trading day prior to the date fixed for the Shareholders' Meeting on first or single call, or such other period as established by applicable regulations in force, are entitled to attend the Shareholders' Meeting. The right to attend and vote is retained if the communications are received by the Company after the deadline, as long as they are received by the beginning of the Shareholders' Meeting's proceedings of each call.

The Company may designate a person, giving a clear indication thereof in the notice of call, for each Shareholders' Meeting to whom all eligible parties may grant a proxy with voting instructions on all or some of the proposals on the agenda, in the manner provided for by applicable law.

No Shareholders' Meeting regulation has been set forth since the broad powers that the law and jurisprudence recognize to the Chairman, as well as the provision of the By-laws (Art. 13) that expressly gives the Chairman the power to direct the discussion and establish order and method of the vote, provided it takes place by recorded vote, were considered adequate tools for the orderly conduct of meetings of shareholders.

With regard to relations with the market, the Chairman and the Chief Executive Officer, within their respective responsibilities, provide the general guidelines that the responsible structures should follow in dealing with institutional investors and other shareholders. To this end, an Investor Relations function whose responsibility has been entrusted to Mr. Giancarlo Berera was established as part of the Group's Finance Department.

In particular, upon disclosure of annual, semiannual or quarterly financial statements, the Company organizes special conference calls with institutional investors and financial analysts, allowing the specialized press to attend.

Moreover, in order to provide timely and easy access to information concerning the Company and, therefore, allow the shareholders to consciously exercise their rights, a special section of the Company's website was set up, easily identifiable and accessible, where information regarding the Shareholders' Meetings is given, with particular reference to the arrangements for attendance and exercise of voting rights at the Shareholders' Meetings, the documentation relating to items on the agenda, including Reports on the items on the agenda and the list of candidates for the positions of director and statutory auditor with an indication of their personal and professional characteristics.

## *TABLE 1*
## STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

| Board of Directors | | | | | | | Executive Committee | | Internal Control Committee | | Remuneration Committee | | Related Parties Committee | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Position** | **Member** | Executives | Non executives | Independ. | Attendance | No. other posts | Member | Attendance | Member | Attendance | Member | Attendance | Member | Attendance |
| Chairman | Giampiero Pesenti | • | | | 6/6 | 6 | • | 1/1 | | | | | | |
| Executive Deputy Chairman | Pierfranco Barabani | • | | | 6/6 | 1 | • | 1/1 | | | | | | |
| Deputy Chairman | Lorenzo Renato Guerini | | • | • | 6/6 | 2 | | | | | | | | |
| Chief Executive Officer | Carlo Pesenti | • | | | 6/6 | 4 | • | 1/1 | | | | | | |
| Director | Giulio Antonello | | | • | 6/6 | 3 | | | | | | | | |
| Director | Alberto Bombassei | | | • | 5/6 | 5 | | | | | • | 2/2 | | |
| Director | Giorgio Bonomi | | • | | 6/6 | 2 | | | | | | | | |
| Director | Alberto Clô | | | • | 6/6 | 3 | | | • | 7/7 | | | • | 1/1 |
| Director | Federico Falck | | | • | 5/6 | 5 | • | 1/1 | • | 7/7 | | | • | 1/1 |
| Director | Danilo Gambirasi | | • | | 6/6 | - | | | | | | | | |
| Director | Carlo Garavaglia | | | • | 6/6 | 7 | | | | | | | | |
| Director | Italo Lucchini | | • | | 6/6 | 6 | | | | | • | 2/2 | | |
| Director | Sebastiano Mazzoleni | | • | | 6/6 | 2 | | | | | | | | |
| Director | Yves René Nanot | | • | | 6/6 | 6 | • | 1/1 | | | | | | |
| Director | Marco Piccinini | | • | | 2/6 | 3 | | | | | | | | |
| Director | Ettore Rossi | | | • | 6/6 | - | | | | | | | | |
| Director | Attilio Rota | | | • | 6/6 | 1 | • | 1/1 | • | 7/7 | | | • | 1/1 |
| Director | Carlo Secchi | | | • | 6/6 | 3 | | | • | 7/7 | | | • | 1/1 |
| Director | Elena Zambon | | | • | 3/6 | 4 | | | | | | | | |
| Director | Emilio Zanetti | | | • | 6/6 | 3 | | | | | • | 2/2 | | |

## *TABLE 2*
## BOARD OF STATUTORY AUDITORS

| Position | Member | Attendance at meetings |
|---|---|---|
| Chairman | Maria Martellini | 19/20 |
| Acting Auditor | Mario Comana | 20/20 |
| Acting Auditor | Luciana Gattinoni | 19/20 |

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Dott. Ing.
Giampiero Pesenti
President of the Board
**Italcementi S.p.A.**
Via Gabriele Camozzi, 124
24124 Bergamo

Milan, 27th February 2013

**Italcementi S.p.A.: Perfomance evaluation of the Board and its Committees**

Dear Mr. President,

In January 2013 Heidrick & Struggles was asked by Italcementi S.p.A. to lead and manage the performance evaluation of the Board and its Committees.

During the month of February 2013, Heidrick & Struggles conducted the Board review, assessing the activities of the Board - with specific regards to dimension, composition and functioning of the Board itself as well as its Committees – in compliance to Corporate Governance best practices embedded in the Italian Codice di Autodisciplina.

The review, managed through the compilation of an on-line questionnaire by each Board Member and some selected members of the Management team, is aimed at providing to Shareholders a report on Board performance and its compliance to Corporate Governance best practice, identifying possible actions to improve efficiency, effectiveness and overall value added.

Main objectives of the analysis have been the following:

- Review of the overall performance of the Board and conclusions over perspective structural and operational improvement needs;
- Review of strengths and weaknesses of the Board, through the answers of the Board members and selected Management team members;

***Heidrick & Struggles International S.R.L. – Società del Gruppo Heidrick & Struggles***
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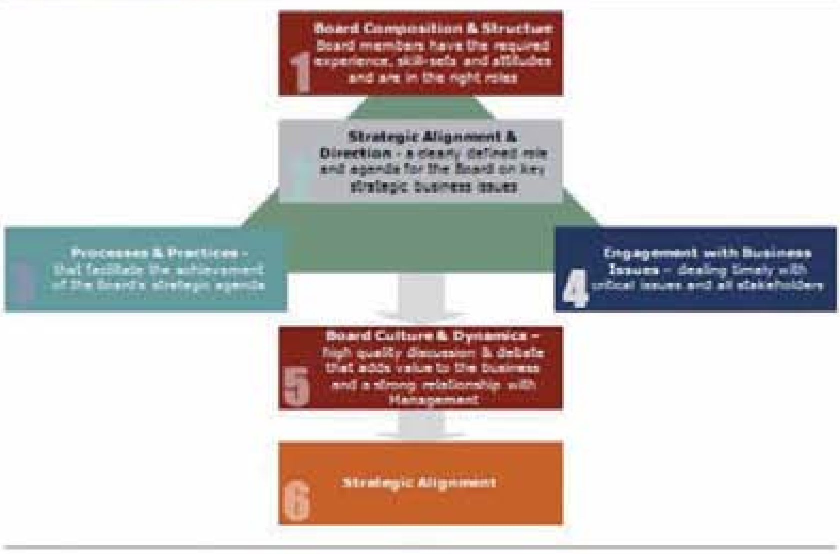
- Identification of areas for improvement of Board processes, structures and behaviors;
- Recommendations for a tangible improvement action plan;
- Validation of the strategic alignment.

Heidrick & Struggles customized the questionnaire to focus on the most relevant components of the Board structure and activities: (i) Board Composition & Structure; (ii) Strategic Alignment & Engagement; (iii) Processes & Practices; (iv) Business understanding and Relationship with Management; (v) Board Culture & Dynamics, analyzing roles and quality of the interactions within the Board itself.

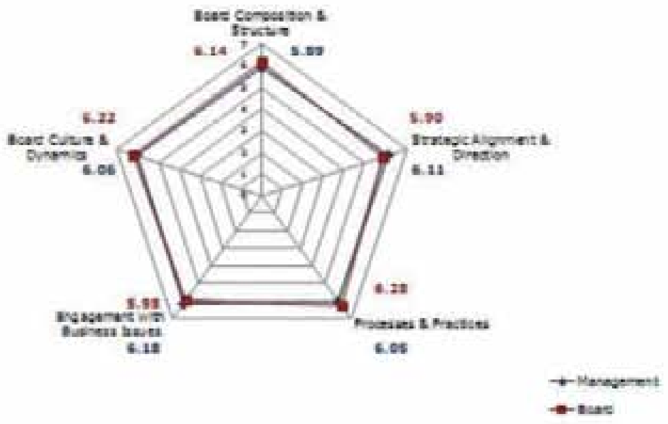
The Key Components of The Board Effectiveness Review




A questionnaire similar to the one submitted to the Board members has been sent to selected members of the Management team, holding regular interactions with the Board, to collect their opinion with regards to Board effectiveness.

All the Board Members (18) and three selected Managers (CEO included) took part to the survey.

Overall Comparison 2012 (Board & Management)




*Fonte: 2013 Italcementi questionnaire; Heidrick & Struggles analysis*

Results have been satisfactory; major strengths stemming out the 2012 Board review are:

- the Corporate Governance appears evolved and complete;
- the Chairman shows a strong leadership on the Board;
- the structure of the Committees is exhaustive;
- the preparation of the Board members is accurate;
- there is broad acknowledgment about the quality of Board and Committees' processes;
- Italcementi appears as a best practice in managing Risks and their impacts on business strategies;
- there are alignment, clarity and transparency in the relationship between Board and Management.

Among the possible highlighted areas for improvement, we found that:

- the Board is overly sized and might need some restructuring in terms of new competencies;
- there is the opportunity to increase the Board involvement on the strategic design;
- though operational processes have reached a high qualitative level, they can be further improved, mainly in the definition of the agenda.

4.

Details of the assessment and recommendations are available in the attached document "Valutazione del Consiglio d'Amministrazione di Italcementi".

Best regards

On behalf of Heidrick & Struggles Italy

Maurizio Panetti
CEO

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## *GROUP CODE OF ETHICS*

The Company adopted a Code of Ethics for the first time in 1993. The Code defined the principles of honesty, correctness, integrity, transparency, confidentiality and mutual respect, which should inspire all employees and all those who established relations with the Company or worked with it to achieve its objectives.

Such Code, pursuing the same purposes, was subsequently amended in February 2001 and lastly replaced by the Group Code of Ethics of September 26, 2012, prepared in accordance with the so-called *"Framework* of *Corporate Governance".* This *Framework* is intended to be disseminated to all Italian and foreign subsidiaries, so that the principles contained in the Code of Ethics may be applied and complied with everywhere.

The Board of Directors of Ciments Français, which Italcementi controls the Group's foreign activities through, has already resolved to share and comply with the principles of the Group Code of Ethics, the disclosure of which to all foreign branches is now underway.

The Code of Ethics is in line with the industry's best practices and incorporates the principles of ethics and conduct underlying the Group's governance model, highlighting elements that strengthen the culture and style of the same, as well as harmonizing and enhancing the elements that the Italcementi Group has developed in the field of ethics over time.

The Code of Ethics is divided into three chapters:
- "*Vision, Mission and Values"* are the elements that identify the ethical identity of the Group, to be understood as long-term aspirations, i.e. to be players in the creation of a better sustainable future for all stakeholders *(Vision*), the activity on which the *core business* is concentrated*,* namely the creation of value in the field of construction materials through the innovative and sustainable use of natural resources for the benefit of customers and communities *(Mission)* and the general rules that the group has given itself *(Values)* wherefrom the more specific rules of behavior described in the next section arise;
- *"Rules of Conduct":* divided by stakeholder of reference, they identify the behaviors that the Group encourages and those that it penalizes, in addition to confirming compliance with the rules; among these there are the rules of honesty and loyalty, impartiality, protection of privacy and confidentiality of information, protection of people, the environment and company assets, the prohibition of corruption, abuse of office and unfair business practices; it provides for the rules that underpin the control and financial reporting processes, it introduces rules governing relations with customers, suppliers, public institutions, political organizations, trade unions and the media;
- "*Implementation of the Code":* this explains who is responsible for the Code and how its contents should be applied, for example in case of breach thereof.

## *CONFIDENTIAL INFORMATION*

Since February 2001, the Company's Board of Directors has approved a specific procedure for the management and processing of confidential information, which also contains the procedures for the disclosure of documents and information concerning the Company and the Group, with particular reference to price sensitive information. This procedure requires strict compliance with the terms and conditions of disclosure of documents and information, while ensuring that disclosure to the market of corporate data is correct, complete, adequate, timely and objective.

The rules of procedure referred to herein bind all Company employees, the members of the Board of Directors and of the Board of Statutory Auditors, and all those who maintain an advisory relationship or collaboration with the Company and/or the Group.

Moreover, since 2006, the Company, as required by CONSOB has established and regularly updated a register of persons who, by virtue of their work or professional duties or by virtue of the functions performed, have access to sensitive information and has prepared the implementation procedure related thereto.

The following persons are required to comply with said implementation procedure:

a) members of the Board of Directors, of the Board of Statutory Auditors and the Chief Executive Officer of Italcementi;
b) those who by virtue of work performed are hierarchically directly under one of the persons referred to in letter a) and are responsible for the organizational unit within which sensitive information originates and/or is handled;
c) employees individually identified who belong to the same organizational unit after being notified in writing by one of the persons referred to in letter b);
d) any third party by virtue of their work, professional duties or functions performed on behalf of the Company, after being notified in writing by one of the persons mentioned in letter b) above;
e) the Chairman, the Deputy Chairman (if any and if equipped with operating powers), the Chief Executive Officer, any other director to whom executive powers have been granted and the Chief Operating Officer (if any) of the principal subsidiaries where sensitive information can be generated.

The procedure identifies two different types of sensitive information:

a) *sensitive information of an ordinary kind:* i.e. information pertaining to an event or set of circumstances relating to activities or transactions falling within the ordinary business administration of the Company or of a Subsidiary, with particular reference to the preparation of accounting, economic, equity and financial data, whether on a final or forecasting basis;
b) *sensitive information of an extraordinary kind:* i.e., information pertaining to a specific event or set of circumstances relating to activities or transactions that do not fall within the ordinary administration of the Company or of a Subsidiary, with particular reference to specific mergers, spin-offs, acquisitions of shareholdings or companies.

Every person registered in the insider register is obliged to maintain confidential all sensitive information they handle or which they have access to until the same has been disclosed to the public in accordance with the principle of equal access to information.

## ***CODE OF CONDUCT***

The Company has adopted its own "Code of Conduct", originally in implementation of the provisions issued by Borsa Italiana S.p.A. with its own regulation and also to take account of the new regulatory provisions issued by CONSOB in execution of European provisions (the so-called *Market abuse directive*) introduced by the Law on Savings of 2005. It regulates the information to be provided to the Company, and by the latter to the market, on any transactions carried out for any reason on their own account by the 'Relevant persons' concerning Italcementi shares and other financial instruments linked to them. Pursuant to the 'Code of Conduct', 'Relevant persons' are the members of the Company's Board of Directors, Board of Statutory Auditors and the Chief Operating Officer and any person who holds a stake of at least 10% of the share capital of Italcementi represented by shares with the right to vote, and any other person who controls the Company.

In particular, the persons concerned must inform the Company, so that the latter may inform the market, about the performance of operations on the latter's shares of an aggregate amount crossing the 5,000 euro threshold by the end of the year.

Given the particular structure of the Group, the 'Code of Conduct' is associated with the Code adopted by Italmobiliare S.p.A., in the sense that market disclosures made by Italcementi regarding transactions on Italcementi shares by parties who are also 'Relevant persons' for both companies, are considered as made also pursuant to the provisions contained in the Code of Conduct adopted by the parent company Italmobiliare S.p.A..

Moreover, the 'Code of Conduct' envisages that 'Relevant persons' must abstain from performing transactions that are subject to disclosure to the Company:

* during the 30 calendar days preceding the meeting of the Company's Board of Directors called to approve the full-year and half-year financial statements, including the day on which the meeting is held;
* during the 15 calendar days preceding the meeting of the Company's Board of Directors called to approve the quarterly reports, including the day on which the meeting is held.

## ***INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES***

On November 5, 2010, based on the positive opinion of the specifically appointed Committee for Transactions with Related Parties, the Company's Board of Directors adopted a procedure for transactions with related parties envisaged by the CONSOB Regulation of March 12, 2010 (the "Procedure").

The Procedure, in compliance also with art. 2391-*bis* of the Italian Civil Code, sets out the measures adopted by the Company to ensure that transactions undertaken with related parties, whether directly or through subsidiaries, are carried out transparently and in compliance with criteria of substantial and procedural correctness.

In particular, with the exception of some situations which are described below, the Procedure provides for the authorization process and the disclosure requirements for transactions between *i)* a party related to Italcementi, on the one hand, and *ii)* Italcementi, on the other, or one of its subsidiaries when, before completing the transaction, the prior examination or authorization by a corporate body of Italcementi or by an officer of Italcementi with relevant delegated powers is required. The Procedure also applies to transactions undertaken by Italcementi with a subsidiary or associated company, as well as between its subsidiaries, when the transaction involves significant interests of a related party of Italcementi.

The Procedure distinguishes "significant" transactions from "minor" transactions on the basis of specific quantitative criteria predetermined by CONSOB. This distinction is also relevant for determining applicable rules on transparency, which are simplified for minor transactions and more stringent for significant transactions, although both envisage the prior opinion of the Committee for Transactions with Related Parties.

The Committee has:

- the duty to give and explain its opinion on both minor (non-binding opinion) and significant (binding opinion) transactions;
- the right, for significant transactions, to take part in the negotiations and in the preliminary investigation stage through the receipt of a complete and prompt information flow, and the right to ask for information and to submit its remarks to the delegated bodies and to those in charge of the negotiations or the preliminary investigation;
- the right to seek the assistance, at the Company's expense, of independent experts of its choosing.

In the case of minor transactions, the Procedure envisages the right, in any case, to execute the transaction even if the Committee for Transactions with Related Parties expresses a negative opinion, provided that this is disclosed to the market through a specific document setting out the reasons for such divergence.

Moreover, the Company By-laws provide that (i) significant transactions with related parties can be performed despite the negative opinion of the Committee for Transactions with Related Parties provided that the execution of such transactions is authorized by the Shareholders' Meeting on condition that the majority of non-related shareholders do not cast a vote contrary to performance of the transaction and the non-related shareholders present at the Shareholders' Meeting represent at least 10% of the share capital with voting rights (so called *whitewash*); and that (ii) the Company may apply the simplified rules in cases of urgency unless the transaction is under the prerogatives of the Shareholders' Meeting and requires its authorization.

Finally, exercising the powers contained in the Regulations issued by CONSOB, the Company identified the following main grounds for exclusion:

- transactions for smaller amounts (transactions that do not exceed the amount of 500,000 euro);
- ordinary transactions (which fall within the ordinary course of business operations and related financial activities of the Company and of the Group in general) if they are concluded on terms equivalent to market or standard conditions;
- transactions with or between subsidiaries or with associated companies, unless there are *significant interests* of other parties related to the Company in the subsidiaries or associated counterparties in the transaction;
- urgent transactions.

The Procedure is available on the Company's website, in the section *Investor Relations / Governance / Documentation*.

Without prejudice to the provisions contained in the above procedure, transactions with related parties must be carried out transparently and in accordance with criteria of substantial and formal correctness. Therefore, the directors who have an interest, even potential or indirect, in the transaction are required to:

a) promptly and fully inform the Board about the existence of the interest and the circumstances regarding it;

b) leave the board meeting room during the vote.

The Board of Directors, however, under specific circumstances, may allow the director concerned to participate in the discussion and/or vote.

## *REGULATION OF THE MANAGER IN CHARGE OF PREPARING THE COMPANY'S FINANCIAL REPORTS*

As mentioned elsewhere in the Report, the Company, in connection with the provisions of Law no. 262/05, the so-called "Law on Savings", appointed a "Manager in charge of preparing the company's financial reports" and adopted a specific "Regulation" which, in compliance with legal provisions, the By-laws and following current best practices, as well as taking into consideration the arrangements for similar activities at the parent company Italmobiliare S.p.A., among other things:

* defines the responsibilities of the "Manager in charge" of Italcementi and specifies his/her related powers;
* identifies the responsibilities and method for the appointment, removal and termination of office of the "Manager in charge", the length of service and the requirements in terms of professional skills and good reputation;
* reports on the principles of conduct which the Company "Manager in charge" must comply with in the event of conflicts of interest as well as the confidentiality obligations to be observed in carrying out his/her activities;
* indicates the responsibilities, powers, and resources granted to the "Manager in charge" for the exercise of his/her duties, identifying the financial and human resources needed to carry out the mandate;
* defines dealings with other Company bodies/functions, with the Corporate Bodies, the internal and external control Bodies and with subsidiaries, as well as, in compliance with the mutual areas for independent action, the procedures for interrelating with the parent company Italmobiliare, regulating information flows;
* recalls the general principles of the Operational model used by the Italcementi Group, which has been established in order to fulfill the regulatory provisions on preparing financial reports;
* illustrates the internal and external attestation process in reference to: a) the statements of the "Manager in charge" regarding the correspondence of the Company's acts and communications disclosed to the market with its documents and accounting books and entries; b) the attestations of the "Manager in charge" and of executive Delegated Bodies, in regard of the financial statements, the limited half-year financial statements and the consolidated financial statements.

The “Regulation” has been approved by the Board of Directors and is intended for all the entities, functions, corporate bodies of Italcementi S.p.A., as well as all the companies that it directly or indirectly controls. The Regulation has been circulated to the staff of the Company, the subsidiaries, as well as to all those considered affected by its contents.

## ***ORGANIZATIONAL, MANAGEMENT AND CONTROL MODEL***

In order to make the control and Corporate Governance systems more effective and prevent corporate offenses and offenses against the Public Administration, during fiscal year 2004, in application of Legislative Decree no. 231/01, the Company Board of Directors adopted an “Organizational, management and control model” (the “Model”) which was subsequently updated in 2006 in line with the law on market abuse and failure to disclose a conflict of interest by directors.

By adopting the “Model”, the Company intends to disseminate and establish a corporate culture based on legality, with the express censure of all conduct contrary to the law and the regulations contained in the “Model” itself.

There have been numerous amendments and updates in order to reflect legislative actions, which have gradually expanded the scope of Legislative Decree 231/01 to include further categories of offenses with respect to those included in its original version.

All updates to the Model, except those of a purely formal nature, have been carried out on the basis of targeted risk assessment findings performed by consultants specialized in the matters taken into consideration on each occasion.

In particular, in 2008, the Model was extended to offenses relating to the violation of the legislation on health and safety in the workplace, cross-border offenses and offenses for receiving stolen goods and money laundering. On February 3, 2010 the Board also updated the special section on safety of the “Model”. In February 2012, the Model was extended to offenses related to organized crime, industry and commerce, copyright and computer crime. Finally, on September 26, 2012, the Board of Directors again amended the Model to also include environmental offenses.

The task of continuously monitoring the effectiveness and enforcement of the “Model”, as well as proposing updates, is entrusted to a body, the Supervisory Board, equipped with autonomy and independence in the exercise of its functions and adequate experience in the field of control of risks associated with the specific activities carried out by the Company or its legal aspects.

The Supervisory Board is, in compliance with the provisions of the “Model”, currently made up of an independent director (later appointed Chairman), a third-party advisor and the Company’s Head of Internal Audit.

The General Part of the Model is available on the Company’s website in the section *Investor Relations / Governance / Documentation*.

## ***COMPLIANCE WITH SIMPLIFIED RULES PURSUANT TO ARTICLES 70 AND 71 OF THE ISSUERS’ REGULATION***

By resolution adopted on November 7, 2012, the Company’s Board of Directors accepted the opt-out regime provided by the CONSOB Issuers’ Regulation, exercising the right to derogate from the obligations to publish disclosure documents required in connection with significant merger transactions, spin-offs, acquisitions and disposals, capital increase by contribution in kind.

On the same date, in accordance with the above-mentioned legislation, the Company provided adequate disclosures to the market.

## CONSOB REGULATION ON MARKETS

The CONSOB Regulation on markets provides for specific rules regarding conditions for the listing of Companies:

A) that control companies incorporated in, and under the law of, Countries not belonging to the European Union ("non-EU") (art. 36)

B) that are subject to management and coordination by another Company (art. 37).

In particular, the companies as set out in letter A) are required to:

1) disclose the accounts of non-EU subsidiaries drawn up for the purposes of the consolidated financial statements, at least including the balance sheet and the income statement;
2) obtain By-laws, composition and powers of the corporate bodies from the non-EU subsidiaries;
3) check that the non-EU subsidiaries:
   * provide the parent company's external auditor with the information needed to audit the annual and interim accounts of the parent company,
   * have an administrative/accounting system suitable to providing the parent company's management and external auditor, on a regular basis, with the business, financial and equity information needed to draft the consolidated financial statements.

The Companies set out in letter B), on the other hand, may be admitted for trading on an Italian regulated market (or maintain their listing) where they:

a) have fulfilled the disclosure obligations envisaged by article 2497-*bis* of the Italian Civil Code;

b) are free to negotiate in dealings with customers and suppliers;

c) do not have a centralized treasury management agreement which is not in their corporate interest with the company that exercises administration and control activity or with any other company of the group to which they belong. The correspondence with the corporate interest is attested by the Board of Directors with a detailed reasoned declaration verified by the Board of Statutory Auditors;

d) have a Board of Directors composed of a majority of independent directors (pursuant to the Code) and a Control and Risk Committee consisting solely of independent directors. Where appointed, also the other committees, as recommended by corporate governance codes of conduct promoted by regulated market managers or by professional associations, will consist solely of independent directors.

With reference to the provisions set out in art. 36, the scope of application as of today involves 23 subsidiaries, located in 10 Countries not belonging to the European Union.

The information flow between the Company and its subsidiaries is suitable to guaranteeing:

* the transmission of the accounts of the subsidiaries drawn up for the purposes of the consolidated financial statements, to enable such accounts to be disclosed;
* the centralized collection of the By-laws, composition and powers of the corporate bodies of the above mentioned subsidiaries and any subsequent amendment.

Therefore, all the By-laws of Subsidiaries located in Countries that do not belong to the European Union, which are relevant for the purposes of the regulation at issue, as well as the composition and powers of the corporate bodies have been acquired and are stored in the Company records.

Furthermore, the findings thus obtained have revealed that the subsidiaries based in Countries outside the European Union, relevant with respect to the latest Audit plan:

* provide the company's external auditor with the information needed to verify the annual and interim accounts of Italcementi;
* have an administrative/accounting system suitable to providing the Company and the external auditor, on a

regular basis, with the business, financial and equity information needed to draft the consolidated financial statements.

Furthermore, pursuant to art. 37 of the Market Regulation, Italcementi, a subsidiary subject to management and coordination by Italmobiliare S.p.A.:

- has fulfilled the disclosure obligations envisaged by art. 2497-*bis* of the Italian Civil Code;
- is free to negotiate in dealings with customers and suppliers;
- has not entered into a centralized treasury management agreement with Italmobiliare S.p.A.;
- has a Board of Directors which consists of a majority of independent directors and, with the exception of the Remuneration Committee, all the Committees set up within the Board of Directors consist solely of independent directors. CONSOB has also provided that Companies should comply with the new composition conditions within thirty days of the first Shareholders' Meeting called after October 1, 2010, to renew the Board of Directors.

## Resolution

In the past the company applied for financial subsidies, pursuant to Law 488/92, in connection with investments to be made in a number of its plants.

Specifically, with the shareholder resolution of April 24, 2001, among other things the company set aside to the "Law 488/92 Fund" Reserve an amount of 4,866 million lire, equivalent to 2,513,079.27 euro, from the profit for financial year 2000, to cover project no. 20071-11 at the Samatzai cement plant. Following the issue of the decree officially granting subsidies for the afore-mentioned project no. 20071-11, the above amount of 2,513,079.27 euro may be released and transferred from the "Law 488/92 Fund" to the "Extraordinary Reserve".

The financial year closed with a loss of 202,882,382.86 euro, which we propose be covered in full by withdrawing an equivalent amount from the Extraordinary Reserve.

We also propose the distribution of a portion of the Extraordinary Reserve through the withdrawal from said reserve of an overall amount of 16,719,024.78 euro and, considering that pursuant to art. 7 of the By-Laws in the event of the distribution of reserves the savings shares have the same rights as the other shares, we propose to assign 0.06 euro to each outstanding ordinary and savings share, net of treasury shares held by the company, gross of legally required withholdings.

Consequently, since only distribution of reserves is contemplated, also in compliance with the afore-mentioned art. 7 of the By-Laws, the preferred dividend entitlement of the savings shares up to 5% of the nominal share value will be computed as an increase in the preferred dividend in the following two financial years.

* * *

To the Shareholders,

if you agree with our proposals, we invite you to carry the following resolution:

The Italcementi S.p.A. Annual General Meeting of April 17, 2013,

- having acknowledged of the directors' report on operations and the report of the Board of Statutory Auditors after examination of the financial statements at December 31, 2012;

hereby resolves

- to approve:
  - the directors' report on operations;
  - the 2012 separate financial statements, consisting of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which reflect a loss of 202,882,382.86 euro as presented by the Board of Directors in its entirety, in the individual postings and with the proposed allocations;
- to release, following the issue of the decree officially granting the subsidies for project no. 20071-11, at the Samatzai cement plant, an amount of 2,513,079.27 euro of financial year 2000 earnings, set aside to the "488/92 Fund" Reserve as deliberated by the Annual General Meeting of April 24, 2001 and to transfer said amount in its entirety to the "Extraordinary Reserve", which thus increases to 450,736,862.20 euro;
- to cover in full the loss for the year of 202,882,382.86 euro by withdrawing an equivalent amount from the Extraordinary Reserve which consequently decreases to 247,854,479.34 euro;

- to withdraw an amount of 16,719,024.78 euro from the Extraordinary Reserve which consequently decreases from 247,854,479.34 euro to 231,135,454.56 euro, by assigning 0.06 euro:
  - to 173,324,535 outstanding ordinary shares, net of the 3,793,029 ordinary treasury shares held at March 5, 2013;
  - to 105,325,878 outstanding savings shares, net of the 105,500 savings treasury shares held at March 5, 2013;
- to severally authorize the Chairman, the Executive Deputy Chairman, Deputy Chairman and the Chief Executive Officer, should the number of treasury shares change before the coupon date:
  - to raise the “Extraordinary Reserve” by the amount corresponding to the dividend attributable to any purchased ordinary shares,
  - to reduce the “Extraordinary Reserve” by the amount corresponding to the dividend attributable to any sold treasury shares.

## Report on Remuneration

Dear Shareholders,

This Report on Remuneration, drafted pursuant to Art. 123-*ter* of the Legislative Decree No. 58 of February 24, 1998 (Consolidated Law on Finance - TUF), illustrates the principles adopted by Italcementi S.p.A. with reference to the definition of the remuneration of its Directors vested with special powers and Officers with strategic responsibilities - identified as the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Deputy Chairman, the Chief Operating Officer and the Manager in charge of preparing the company's financial reports - as well as of the Manager in charge of Internal Audit and of the Officers directly reporting to the Chairman, Executive Deputy Chairman, the Chief Executive Officer and Chief Operating Officer, as reported hereunder.

The Report has been prepared in accordance with the schedule established by CONSOB (Italian stock exchange Authority) with resolution No. 18049 of December 23, 2011.

* * *

### SECTION I

The term Company shall hereinafter mean Italcementi S.p.A., the term Group shall mean Italcementi Group, the term Policy shall mean the Remuneration policy for executive Directors, other Directors vested with special powers, Officers with strategic responsibilities, the Manager in charge of Internal Audit and Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

a) *Bodies or individuals involved in the preparation and approval of the remuneration policy, specifying the respective roles, and bodies or individuals responsible for the proper implementation of such policy*

The bodies involved in preparing the remuneration policy are the following:

***Shareholders' Meeting***

The Company shareholders' meeting defines the remuneration of Directors not vested with special powers.

It is also required to express its advisory opinion upon this section of the Report on Remuneration prepared by the Board of Directors pursuant to Art. 123-*ter* of TUF.

Lastly, the shareholders' meeting, upon proposal of the Board of Directors, pursuant to Art. 114-*bis* of TUF, resolves upon the approval of any incentive plans based on financial instruments that the Company wishes to issue.

***Board of Directors***

The Board of Directors, upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors, resolves upon the remuneration to be assigned to the Chairman, Deputy Chairmen, Chief Executive Officer, Chief Operating Officer, the Manager in charge of preparing the company's financial reports and the Manager in charge of Internal Audit, broken down into a fixed and a variable amount to be granted in connection to the achievement of the annual targets assigned to each of them.

The Board of Directors may also approve the implementation of a *Long-Term Incentive* to be paid against the achievement of the three-year period targets assigned.

***Department of Human Resources and Organizational Development***

The Group Human Resources and Organizational Development Department supports the Remuneration Committee in performing its functions, both in defining and approving proposals concerning the remuneration to be submitted to the approval of the Board of Directors, and at the time of monitoring and at the time of verifying the full and proper implementation of the same.

b) *Possible participation of a remuneration committee or other responsible committee, describing its composition (with the distinction between non-executive and independent directors), competence and functioning conditions*

The Remuneration Committee was established within the Board of Directors, it is made up of three non-executive members, mainly independent, as follows:

Alberto Bombassei - member - independent

Italo Lucchini - member

Emilio Zanetti - Chairman - independent

The Committee carries out its consultative and advisory functions on matters delegated to it, in particular by ensuring the following, in the absence of people directly involved therein:

- submitting to the Board of Directors proposals for the remuneration of Directors vested with special powers and Officers with strategic responsibilities;
- periodically evaluating the criteria adopted for the remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Officers with strategic responsibilities and the Manager in charge of Internal Audit, supervising their application on the basis of information provided by the Chief Executive Officer and by the corporate functions possibly involved in formulating general recommendations on the Board of Directors on this items;
- monitoring the implementation of the Board of Directors' decisions, in particular, by verifying the effective achievement of performance targets.

The Remuneration Committee, with the assistance of the Group Human Resources and Organizational Development Department, analyzes the composition and disbursement of the remuneration of Directors vested with special powers, Officers with strategic responsibilities, the Manager in charge of Internal Audit and Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

In carrying out its duties, it can also request for the assistance of one or more independent firms specialized in the field of *executive compensation,* and able to make the appropriate comparisons between competitiveness and consistency with respect to the reference markets and governance systems required by current best practices, having also regard for i) the weight of their offices within the corporate structure, ii) the powers granted to them and the related range of discretion; iii) the individual economic impact.

Afterwards, the Remuneration Committee submits the so-defined Policy to the Board of Directors for the formal approval of the same, or, if the current Policy (after its first application) is still considered consistent with the Company's needs, market trends and the regulatory environment, it confirms the latter.

Once it has examined and approved the Policy, the Board of Directors submits a Report thereupon for the advisory opinion of the shareholders.

c) *Any independent experts involved in the remuneration policy definition*

Not applicable.

It is also pointed out that the sources of information for the analysis of the remuneration competitiveness covered by the Policy, in particular, were provided by the following companies: *Hay Consulting, Mercer Consulting* and *Towers Watson.*

d) *The remuneration policy aims, guiding principles and any amendments to the remuneration policy with respect to the previous financial year*

The Company believes that the definition and implementation of the Remuneration Policy represents a primary tool aimed at:

- attracting, retaining and motivating highly-qualified management personnel within the Company and, more generally, within the Group;
- aligning the interests of management and shareholders;
- promoting the creation of shareholder value in the medium-long term, establishing a direct relationship between remuneration and performance.

The Policy is consistent with the principles and related application criteria of the Group's *"Corporate Governance Framework"*, aimed at encouraging a responsible and sustainable approach to remuneration, consistent with the Group values.

By executing the Policy, the Company pursues:

- compliance with regulations of both legal and self-regulatory sources, as well as with the regulators' recommendations;
- governance of the Policy's definition and implementation process, in line and consistent with current best practices;
- an ongoing dialogue with market practices;
- a strong link between remuneration and results and sound risk management as a guarantee of its sustainability.

The definition of the Policy is the result of a fully outlined process in which the Company's Remuneration Committee and Board of Directors play a central role.

The Company's Remuneration Committee held on February 21, 2011 examined, and on February 24, 2011 subsequently approved, a Policy consistent with the provisions of the Code of Conduct issued by the Corporate Governance Committee (i.e. the Italian stock exchange); an explanatory memorandum of such Policy (the Remuneration Report) was subsequently submitted to the advisory opinion of the shareholders' meeting called to approve the 2010 financial statements held on April 19, 2011.

Following the new regulations introduced by CONSOB Resolution No. 18049 of December 23, 2011 in execution of the powers granted by Legislative Decree No. 259/2010, the Company has decided to issue a new version of its Remuneration Policy which, while confirming the principles and guidelines already expressed in the previous version of the Policy itself, expresses them according to the new legal framework.

This new Policy has been adopted by the Company's remuneration Committee at its meeting held on February March 2 2012; the subsequent Company's Board of Directors Meeting held on the same date has resolved to approve it and to submit an overall Remuneration Report concerning the Policy itself to the consultative vote of the Company's annual general shareholders' meeting held on April 18 2012.

The Company now, while confirming the Policy in force, has anyway decided, with reference to the Policy's effective implementation and application in 2013, to adopt certain updates which could be summarized as follows:

1. To adopt a new approach of representing the relative % impact of the single components the pay-mix is made up of on the pay-mix itself, by introducing the reference to the achievement of the targets "forecasted in the budget" instead of the previous approach based on the "full targets achievement" to describe the above mentioned impact; this new approach seems more consistent than the previous one with reference to the present economic situation, when the targets' achievement is becoming increasingly challenging as, by avoiding the previous reference to the full targets achievement, allows a more realistic representation of the remunerations the Policy is focused on;
2. To foresee that one of the targets to be assigned on individual basis to each of the beneficiaries of the Short Term Variable Component (MBO) of the remuneration should compulsorily be the target linked to the achievement of the Group profitability target and that this target should have an adequate weight compared to the overall targets weight;
3. To Provide even more details about non-monetary benefits the beneficiaries of the Policy are entitled to.

*e) Description of the policies in terms of fixed and variable components of remuneration, with particular reference to the indication of the relative weight within the overall remuneration and distinguishing between short and medium-long term variable components.*

**A) VARIABLE COMPONENTS**

Under the Policy, the variable components of remuneration are the following:

**1) Short-Term Variable Component (MBO)**

i) <u>Directors vested with special powers and Officers with strategic responsibilities</u>

The yearly variable remuneration for Directors vested with special powers and Officers with strategic responsibilities is established by the Board of Directors upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors, in relation to the achievement of the annual targets assigned. Such targets are predetermined and measurable, and they are in any case linked to value creation for the Company and shareholders in the medium to long term; by way of example, but not limited thereto, these targets may be linked to the Company's and/or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

ii) <u>Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer</u>

The yearly variable remuneration in favor of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is established by the latter with the support of the Human Resources and Organizational Development Department, in connection to the achievement of annual targets assigned and in compliance with the principles and guidelines of the Group's Remuneration Policy.

Such targets are predetermined and measurable, and are in any case linked to value creation for the Company and the shareholders in the medium to long term; by way of example, but not limited thereto, these targets may be linked to the Company's and / or the Group's financial position and results of operations, the adoption of governance best practices, sustainable development and implementation of strategic projects for the Company.

As anticipated, for the financial year 2013, for both the Directors vested with special powers and Officers with strategic responsibilities as well as for the other officers – Officers directly reporting to the Chairman, Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is foreseen that one of the targets (basically the most important one as it should weight about 40% of the overall targets weight) of the Short-Term Variable Component (MBO) should compulsorily be the targeted profitability goal.

The combined effect of this prescription and of the functioning of the points-based Short-Term Variable Component (MBO) would lead to reset to zero any payment in the case the profitability target will not be achieved, unless the achievement level of all the other individual targets turns out to be the maximum possible over the budget; in this last case anyway the maximum amount to be paid could not exceed two thirds of the maximum theoretical payout.

**2) Medium-Long Term Variable Component (LTI)**

Two different long-term incentive plans are currently in place: one for Directors vested with special powers and Officers with strategic responsibilities and one for the other officers – Officers directly reporting to the Chairman, Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

i) <u>Directors vested with special powers and Officers with strategic responsibilities</u>

Among the Directors vested with special powers, the Chairman and the Chief Executive Officer were the recipients of a stock option plan for directors over a three-year period approved by the shareholders' meeting of June 20, 2007.

The above plan consisted of three-year cycles, and the first cycle ended in 2009.

The Officers with strategic responsibilities were the recipients of a stock option plan for top management approved by the shareholders' meeting of April 28, 2008.

The aforesaid plan consisted of three-year cycles, the first of which was closed in 2010.

The Company's Board of Directors deemed it appropriate to replace such incentive systems with a new system on a monetary basis ("Long-Term Monetary Incentive Plan for Directors and Officers with Strategic Responsibilities of Italcementi S.p.A.").

In making its assessments, the Board of Directors took into account the findings of the analyses carried out on behalf of the Company by independent advisors, with extensive experience and international standing, on executive compensation.

The new long-term monetary incentive plan is based on three-year cycles depending on the medium-long term performance of the Company and/or the Group.

This plan is aimed at:

- tying the overall remuneration package of recipients to the Company's medium-long term performance, by rewarding the achievement of strategic targets, and to the corresponding "value creation" for shareholders;
- ensuring maximum transparency and compliance with best governance criteria of the overall remuneration package for recipients.

The corporate body in charge of the decisions relating to the plan is the Board of Directors, which adopts resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Human Resources and Organizational Development Director.

The plan functioning is aligned, after the necessary adjustments suggested by the Remuneration Committee, with the mechanism adopted for the annual incentive plan (points system with minimum access threshold, target assigned and maximum target).

The right to obtain the granting of premium linked to the long-term monetary incentive plan is indeed subject to:

a) the achievement of long-term targets assigned to each recipient by the Board of Directors at the beginning of the cycle upon proposal of the Remuneration Committee. Such targets, established consistently with the powers granted to each of them, are linked to the Company's financial position and results of operations and other targets specifically assigned such as, for example, targets regarding governance, risk management, sustainable development and related to the implementation of strategic projects, complementary targets with respect to those established in the annual incentive plan. The control over the achievement of such targets is made by the Remuneration Committee and, where appropriate, by independent experts;
b) the expiration of the entire three-year period of each of the plan's cycles and the uninterrupted holding of the office or employment relationship for each individual recipient. Before the expiration of such period no right accrues to partial or pro rata disbursements. The allocation of the amount actually accrued takes place in April of the year following the end of the three-year reference period.

The first plan cycle, in its part related to the Directors vested with special poker, has empire on December 31 2012. The Company is now evaluating the possibility of implementing a new cycle of this part of the plan, or replacing it with another tool with the same long term incentive purposes.

ii) <u>Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer</u>

Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer are the recipient of the long-term monetary incentive plan linked to the performance of the security "Italcementi S.p.A. – Ordinary shares" ("Long-Term Monetary Incentive Plan, linked to the appreciation of Italcementi shares, for executives") approved by the shareholders' Meeting of April 28, 2008.

The latter, on the basis of the above resolution dated April 28, 2008 were initially the recipients of a stock option Plan for executives subsequently cancelled, for the not executed portion, by the resolution of the shareholders' meeting of April 19, 2011.

The new long-term monetary incentive plan provides for three-year cycles based on the Company's and/or the Group's medium-long term performance and the allocation to the beneficiaries of a certain number of phantom stocks in proportion to the results achieved.

This plan is aimed at:

- tying the overall treatment of executives to the Company's medium-long term performance, by rewarding the achievement of certain strategic targets, and to the corresponding "value creation" for shareholders;
- ensuring maximum transparency and compliance with best governance criteria of the overall remuneration package of recipients.

The corporate body responsible for decisions relating to the plan is the Board of Directors, which passes resolutions upon proposals of the Remuneration Committee with the technical and operational support of the Human Resources and Organizational Development Director.

The Board of Directors delegates the operational management of the plan to the Chief Executive Officer.

The functioning of the plan provides for the allocation to each beneficiary of a minimum-maximum range of phantom stocks whose underlying are Italcementi shares.

The right to obtain the granting of the premium linked to the long-term monetary incentive plan is subject to:

a) the achievement of long-term targets assigned to each recipient by the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and Chief Operating Officer at the beginning of the cycle, proposed with the support of the Department of Human Resources and Organizational Development. Such targets, defined consistently with the powers granted to each of them, are linked to the Company's financial position and results of operations and other targets specifically attributed such as, for example, targets regarding governance, risk management, sustainable development and related to the implementation of strategic projects, additional targets with respect to those established in the annual incentive plan. Control over the achievement of these targets will be made by the Department of Human Resources and Organizational Development;
b) the expiration of the full three-year period of each of the plan's cycles and the uninterrupted holding of office or employment relationship for each individual recipient. Before the expiration of such period no right accrues to partial or pro rata granting of phantom stock.

The amount of the incentive is then calculated by multiplying the number of phantom stocks actually accrued by the current value of Italcementi stock in the month of December of the last of the three years each Plan cycle covers. The allocation of the awarded amount normally takes place within the month of April of the year following the end of the three-year reference period.

**B) FIXED COMPONENTS AND OVERALL REMUNERATION**

As a result of the foregoing, the overall treatment approved according to the Policy, inclusive of the fixed component of remuneration, may be represented as follows for the different beneficiaries:

**a) Remuneration of Officers with Strategic Responsibilities**

The Company's Board of Directors identified the Chief Operating Officer and the Manager in charge of preparing the company's financial reports as Officers with strategic responsibilities.

The remuneration of Officers with strategic responsibilities is established by the Board of Directors upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The Officers with strategic responsibilities' remuneration components are as follows:

a) an annual fixed component;
b) an annual variable component linked to the achievement of specific business targets *(Management By Objectives);*
c) an exclusively monetary medium-long term variable component *(Long Term Incentive)*, linked to the achievement of specific targets, as the previous one.

Having defined the overall remuneration package as the sum of the three components recalled above, in the event that the targets, forecasted in the budget and related to the components b) and c), are achieved, it is pointed out that such targets and the related remuneration are referred to the position of Officers with strategic responsibilities within the Group (therefore including targets and remuneration received due to other positions in other Group companies), and the relative weight of the same can be approximately represented as follows:

a) the weight of the yearly fixed component is approximately equal to 40% of the Chief Operating Officer's and 60% of the Manager in charge of preparing the company's financial reports' overall remuneration;
b) the weight of the annual variable component (MBO) is approximately equal to 30% of the Chief Operating Officer's and 20% of the Manager in charge of preparing the company's financial reports' overall remuneration.
   Such variable component cannot in any case exceed 100% of the fixed component as per letter a) above;
c) the medium-long term variable component (LTI), currently based on three-year cycles, in its annual amount, represents about 30% of the Chief Operating Officer's and 20% of the Manager in charge of preparing the company's financial reports' overall remuneration.
   Such variable component cannot in any case, during the entire three-year period of each plan, exceed 100% of the fixed component referred to under a) above, as granted throughout the plan's execution periods.

With reference to the variable components of remuneration for Officers with strategic responsibilities referred to under letters b) and c) above, the Remuneration Committee:

- defines, annually, proposals for the assignment of MBO targets to be submitted to the Board of Directors' approval;
- monitors, in the following year, the degree of achievement of MBO targets and verifies the performance carried out;
- verifies, at the end of each three-year reference period, the level of achievement of LTI targets.

The Company does not currently have in place long-term incentive plans based on financial instruments for Officers with strategic responsibilities.

The Board of Directors may also exceptionally establish special bonuses, upon occurrence of relevant, specific and unforeseen circumstances, in order to remunerate Officers with strategic responsibilities i) if the total amount of the other elements of remuneration is considered to be objectively inadequate with respect to the performance carried out, always within the overall upper limits set out in the Policy, or ii) in relation to specific activities and/or extraordinary transactions in terms of strategic relevance and impact on the Company's and/or the Group's results of operations.

The Officers with strategic responsibilities are entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

**b) Remuneration of the Manager in charge of Internal Audit**

The remuneration of the Manager in charge of Internal Audit is established by the Board of Directors upon proposal of the Remuneration Committee based on the opinion of the Director in charge of Internal Control and Risk Management System.

Such remuneration is made up of an annual fixed component, an annual variable component and a long-term variable component (over three years).

The variable components are aligned to the Group's MBO and *Long-Term Incentive* systems and do not provide for any target related to the Company's results of operations, but only targets linked to the improvement of the Internal Control system's effectiveness and functionality.

The weight of the annual fixed, variable (MBO) and medium / long term (LTI) components of the Manager in charge of Internal Audit, in the event of achievement of the targets forecasted in the budget and related to the variable components of the remuneration package, is respectively 60%, 20% and 20% of his/her overall remuneration.

It's important to highlight that, in line with market best practices, the higher relative weight of the fixed component of the remuneration of the Manager in charge of Internal Audit and the setting of targets not related to business performance but instead linked to the full and effective implementation of own tasks are aimed at ensuring to this role, also from the point of view of the definition of the remuneration, the best possible conditions for duly accomplishment of own responsibilities.

The Manager in charge of Internal Audit is entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

**c) Remuneration of Officers Directly Reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer**

The remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer is established by the latter with the support of the Human Resources and Organizational Development Director according to the principles and guidelines of the Group's "Remuneration Policy".

The components of the remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer are the following:

a) an annual fixed component;
b) an annual variable component linked to the achievement of specific business targets *(Management By Targets);*
c) a variable medium-long term component *(Long Term Incentive),* monetary-based and linked to the performance of "Italcementi S.p.A. - Ordinary" shares, also subject to the achievement of specific targets as the previous one.

Having defined the overall remuneration package as the sum of the three components recalled above in the event that the targets forecasted in the budget and related to the components b) and c) are achieved, and pointed out that such targets and the related remuneration are referred to the position of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer within the Group (therefore including targets and remuneration received due to other positions in other Group companies), the relative weight of the same can be approximately represented as follows:

a) the weight of the yearly fixed component is approximately equal to 60% of the overall remuneration;
b) the weight of the annual variable component (MBO) is approximately equal to 25% of the overall remuneration.
   Such variable component cannot in any case exceed 70% of the fixed component as per letter a) above;
c) the medium-long term variable component (LTI), currently based on three-year cycles, as the annual amount thereof, has a weight equal to about 15% of the overall remuneration.

With reference to the variable components of remuneration of Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer referred to in letters b) and c) above, the Human Resources and Organizational Development Department:

- defines, annually, proposals for the assignment of MBO targets to be submitted to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer for approval, depending on the officer's position within the organizational structure;
- in the following financial year, monitors and submits to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer the degree of achievement of MBO targets and verifies the performance carried out;
- at the end of each three-year reference period, verifies the level of achievement of LTI targets, submitting the results to the approval of the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer.

The Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer are entitled to receive non-monetary benefits (for example company car for personal use also) as well as the other benefits described here below under point m), in line with market practice.

f) *Policy followed with regard to non-monetary benefits*

Please refer to the description under points e) and n) for non-monetary benefits respectively granted to i) Officers with strategic responsibilities and Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer, and ii ) Directors vested with special powers and other Directors.

g) *With reference to variable components, a description of performance targets based on which they are assigned, distinguishing between short and medium-long term variable components, and information on the link between variation of results and variation of remuneration*

Reference is made to that represented under points e) A) 1) i), e) A) 1) ii), e) A) 2) i) and e) A) 2) ii).

h) *Criteria applied for the evaluation of performance targets forming the basis for the allocation of shares, options, other financial instruments or other variable components of the remuneration*

Consistently with the information provided under points e) B) a) and e) B) b), the definition and verification of the correct implementation of the criteria used for the performance targets' evaluation are on each occasion carried out by the Remuneration Committee and the Human Resources and Organizational Development Department.

i) *Information aimed at highlighting the consistency of the remuneration policy with the company's long-term objectives' pursue and its risk management policy, where formalized*

By applying the Policy, the Company pursues a strong link between remuneration and results of operations and a sound risk management as guarantee of its sustainability.

According to the above, the Remuneration Committee periodically evaluates, among other things, the criteria adopted for the remuneration of Directors and Officers with strategic responsibilities, supervising their implementation based on information provided by the Chief Executive Officer and any corporate functions involved and formulating general recommendations to the Board of Directors on the subject.

j) *Vesting period, any deferred payment system, with the indication of periods of deferment and of the criteria used for establishing such periods and, if applicable, clawback mechanisms*

Not applicable.

See also Section I - letter e) A) 2) for detailed information on the functioning of the Medium-Long term Variable Component (LTI) which make also reference to the related plans rules.

As far as the policy is concerned it should also be highlighted that, on the basis of these rules, a) any payment of the incentive amount is deferred to the first half of the fourth year following the year the beneficiary has been made eligible to participate to the plan, while no amounts could be paid to the beneficiary or anyway accrued by him/her during the three years of the plan cycle duration; b) in any case, the payment of any incentive accrued is subject to the further condition that the beneficiary has completed the three-years cycle duration and is still working for the Company at the date of the payment itself.

These additional conditions, having the effect of significantly deferring the moment of the effective payment, allow the adoption of possible corrective measures if needed.

k) *Information about the possibility of introducing provisions for maintaining financial instruments in the portfolio after acquisition thereof, indicating the periods of maintenance and the criteria used for establishing such periods*

Not applicable.

l) *Policy on treatment provided for termination of office or termination of employment agreement events, specifying the circumstances which determine the onset of the right thereto and the possible link between such treatment and the company's performance*

The Company has not entered into specific agreements, except in the case described below, with the Directors vested with special powers and Officers with strategic responsibilities aimed at regulating, at the outset, the financial consequences resulting from a possible early termination of employment relationship caused by the Company or the individual employee.

With regard to the single position of the Chief Operating Officer, a total settlement of any amounts due, equal to two annual salaries, has been agreed in the event of termination of the employment agreement for reasons other than just cause.

With reference to the other offices, in the event of termination of the employment agreement with the Company for reasons other than just cause, it is considered appropriate to pursue out-of-court settlements on an equitable basis, to the extent allowed by the law, as well as the benchmarks and existing good practice for similar positions, except as may be required by rules and agreements in force, and in particular by the collective bargaining agreement for Executives of companies producing goods or providing services.

There is no provision for the granting of extraordinary remuneration to Directors not vested with special powers due to termination of the office.

The Company does not, in general, enter into specific non-competition agreements with its Officers with strategic responsibilities, designed to pay out financial consideration, during the employment relationship or subsequently to termination thereof, related to the respective fixed remuneration in relation to the duration and the geographical perimeter, the business scope and the product sector of the constraints arising from such agreement.

m) *Information on the presence of any insurance, or pension or retirement coverage other than the mandatory one*

Specific health and safety insurance policies consistent with what represented under letter n) below are provided for the Chairman and Chief Executive Officer.

The Officers with strategic responsibilities and the Officers directly reporting to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and the Chief Operating Officer, in line with market practices, are entitled to participate, in addition to what is specifically foreseen by the collective bargaining agreement for Executives of companies producing goods or providing services, to supplementary retirement schemes, healthcare insurance plans and life insurance plans.

*n) Remuneration policy possibly applied in regard of: (i) independent directors, (ii) participation in committees and (iii) performance of particular tasks (Chairman, Deputy Chairman, etc.).*

The Company's Board of Directors consists of two categories of directors:

a) Directors vested with special powers;

b) Directors not vested with special powers.

As of December 31, 2012, the members of the Company's Board of Directors were divided in the two categories as shown below:

a) Giampiero Pesenti, Chairman • Pierfranco Barabani, Executive Deputy Chairman • Carlo Pesenti, Chief Executive Officer •- Lorenzo Renato Guerini, Deputy Chairman;

b) Giulio Antonello • Alberto Bombassei • Giorgio Bonomi • Alberto Clô • Federico Falck • Danilo Gambirasi • Carlo Garavaglia • Italo Lucchini • Sebastiano Mazzoleni • Yves René Nanot • Marco Piccinini • Ettore Rossi • Attilio Rota • Carlo Secchi • Elena Zambon • Emilio Zanetti.

The shareholders' meeting held on April 19, 2011 granted to the Board of Directors' members an annual remuneration of € 45,000, increased to € 90,000 for those being also members of the Executive Committee.

Such amount is increased for Directors who are members of Board's Committees, and for Chairmen of the latter.

In compliance with market best practices for Directors not vested with special powers, no variable component of remuneration is provided for, while they are reimbursed expenses incurred in performing their office.

Finally, an insurance policy, in line with existing practices, has been taken out for civil liability to third parties of Directors not vested with special powers for events related to the exercise of their functions, in compliance with the provisions set forth with regard to corporate offices, except in cases of willful misconduct and gross negligence.

The remuneration of Directors vested with special powers, is directly established at the time of appointment, or at a subsequent useful meeting, by the Board of Directors acting upon proposal of the Remuneration Committee and based on the opinion of the Board of Statutory Auditors.

The components of the remuneration of Directors vested with special powers are as follows:

**A) Chairman and Chief Executive Officer:**

a) an annual fixed component;

b) an annual variable component linked to the achievement of specific business targets *(Management By Objectives);*

c) a monetary medium-long term variable component *(Long Term Incentive)*, also linked to the achievement of specific targets as the previous one.

Having defined the overall remuneration package as the sum of the three components listed above in the event that the targets forecasted in the budget and related to the components b) and c) are achieved, and pointed out that such targets and the related remuneration are referred to the position of Director vested with special powers within the Company (therefore not comprising targets and remuneration received due to other positions in other Group companies, including the parent company), the relative weight of the same can be approximately represented as follows:

a) the weight of the yearly fixed component is approximately equal to 40% of total remuneration;

b) the weight of the annual variable component *(MBO)* is approximately equal to 25% of total remuneration.

Such variable component cannot in any case exceed 100% of the fixed component as per letter a) above;

c) the medium-long term variable component *(LTI),* currently based on three-year cycles as to the annual amount thereof, has a weight equal to about 35% of total remuneration.

Such variable component cannot in any case, over the entire three-year period of duration of each plan, exceed 120% of the fixed component referred to under letter a) above, as granted throughout the plan execution periods.

With reference to the variable components of remuneration of Directors vested with special powers referred to under letters b) and c) above, the Remuneration Committee:

- annually, makes proposals for the assignment of MBO targets to be submitted to the Board of Directors for approval;
- in the following financial year, monitors the degree of achievement of MBO targets and verifies the performance achieved;
- at the end of each three-year reference period, verifies the level of achievement of LTI targets.

The Company does not have currently in place long-term incentive plans based on financial instruments for Directors vested with special powers.

The Chairman is entitled to a "Severance pay", which will accrue at the end of each term of office.

The allowance has been calculated so as not to exceed 3 years of remuneration and it will not be granted if termination of office is due to the attainment of objectively inadequate results.

In addition to benefits usually provided for similar positions, the Chairman is also entitled to an illness and injury policy, and reimbursement of expenses incurred to attend meetings and conferences, etc..

The fees granted to the Chief Executive Officer are discharged in full to the holding company, where he acts as Executive and Chief Operating Officer; the holding charges the Company for the total cost, including social security contributions payable by the Company and post-employment benefits.

Benefits are provided for the Chief Executive Officer in line with those of the Chairman.

The Board of Directors may also grant special awards, exceptionally, upon occurrence of significant, specific and unforeseen circumstances in order to remunerate Directors vested with special powers, i) if the overall remuneration components are considered to be objectively inappropriate to the performance achieved, within the limits of the upper limits set in the Policy, or ii) in relation to specific activities and / or extraordinary transactions in terms of strategic relevance and impact on the Company's and/or the Group's results of operations.

**B) Deputy Chairmen:**

The remuneration of Deputy Chairmen consists of a fixed component and a possible annual variable component, not exceeding 100% of fixed remuneration, defined in accordance with the provisions of the MBO system mentioned above.

Given that the Board of Directors mandate will expire upon approval of the financial statements as at December 31 2012, the general shareholders meeting which will appoint new directors will at the same time define the related annual remuneration.

Concerning the Directors vested with special powers who may be appointed, their remuneration will be defined, concurrently to their appointment or during a subsequent meeting, by the Board of Directors upon proposal of the Company's Remuneration Committee and having acquired the opinion of the Board of Staturoty Auditors.

*o) Whether the remuneration policy was defined using the remuneration policies of other companies as a reference and, if so, the criteria used for the selection of such companies*

Not applicable.

**SECTION II**

**I.1 – PART ONE**

1.1. Full representation of the remuneration components, including the treatment provided for termination of office or termination of the employment agreement, and their consistency with the reference Policy has already been given in Section I of this Report.

With respect to incentive plans based on financial instruments, please find below information concerning the plans in place.

**Incentive plans for Directors and Officers**

A stock option Plan for directors -2001, a stock option Plan for executives -2000, a stock option plan for top management - 2008, a long-term monetary incentive Plan for directors and Officers with strategic responsibilities and a long-term monetary incentive Plan linked to the appreciation of Italcementi shares for executives, are currently in place at Italcementi S.p.A..

During 2011, none of the Company Directors and Officers beneficiary of stock option plans exercised the respective rights already accrued.

***Stock Option Plan for Directors 2001***

In execution of the shareholders' resolution of April 24, 2001, the Company's Board of Directors at its meeting of May 9, 2001, approved the stock option plan for directors who are vested with special powers in accordance with the articles of association, or those who perform specific operating duties. By resolution of the shareholders meeting of June 20, 2007, the Plan discussed herein was replaced, with respect to the not executed part, by the "Stock Option Plan for Directors 2007".

During the year no options were exercised.

Overall, in execution of the stock option Plan for directors, 1,339,825 options equal to 0.47% of share capital were granted; the options granted as of December 31, 2008 and not yet exercised amounted to a total amount of 960,900.

***Stock Option Plan for Directors 2007***

The shareholders' meeting held on June 20, 2007 approved a second stock option plan for directors vested with special powers in accordance with the articles of association, or those who perform specific operating duties, which, for the not executed part, replaces the Stock Option Plan for directors described above.

With reference to such stock option Plan, in 2007, the Company's Board of Directors assigned the Chairman and the Chief Executive Officer targets based on which, once their achievement has been verified, a number of options from a minimum of 555,000 up to a maximum of 1,050,000 could have been exercised upon expiry of the three-year period. If the minimum targets set by the Board of Directors were not met, the beneficiary would have lost the right to exercise all the options granted.

Having assessed the degree of achievement of performance targets that were originally assigned, the Board of Directors, in its meeting held on March 5, 2010, upon proposal of the Remuneration Committee, granted:

* 401,250 options to the Chairman;

* 300,000 options to the Chief Executive Officer.

Both the Chairman and the Chief Executive Officer waived the granting of stock options in their favor. No new option grant has been approved by the Board of Directors. Following the resolution of the Board of Directors and the subsequent waiver of the award by the Chairman and the Chief Executive Officer, no further options on the "Stock Option Plan for Directors - 2007" are outstanding.

The shareholders' meeting held on April 19, 2011 approved the cancellation of the Plan, for the not executed part.

***Long-term monetary incentive Plan for directors and managers with strategic responsibilities of Italcementi S.p.A.***

By resolution of February 3, 2011, the Board of Directors, upon proposal of the Remuneration Committee and based on the favorable opinion of the Committee for Transactions with Related Parties, adopted a "long-term monetary incentive Plan for directors and Officers with strategic responsibilities of Italcementi S.p.A." whose main features are listed below.

At the same meeting of February 3, 2011, the Board of Directors, in execution of said Plan, assigned the Chairman and the Chief Executive Officer the targets for their term of office. Moreover, at the meeting held on March 4, 2011, the Chief Operating Officer and the Manager in charge of preparing the company's financial reports were assigned targets for the 2011-2013 period.

In any case, no award will be granted in the absence of the achievement of acceptable results, likewise, if the results are significantly better than forecast, a total bonus higher than the one established at the assignment of targets will be granted.

The main features of the Plan are the following.

***a) Reasons for the adoption of the plan***

They can be summarized as follows:

- to tie the overall treatment of participants to the Company's performance in the medium-long term by rewarding the achievement of certain strategic targets, and the consequent "value creation" for shareholders;
- to ensure maximum transparency and compliance with best governance criteria of the overall salary package of participants.

***b) Plan Management***

The corporate body responsible for decisions relating to the Plan is the Board, acting upon proposal of the Remuneration Committee (hereinafter referred to as the Committee) with the technical and operational support of the Human Resources and Organizational Development Department Director, and, when applicable, having heard the opinion of the Committee for Transactions with Related Parties. The Plan's working mechanism will be aligned, after the necessary adjustments suggested by the Committee, with the mechanism adopted for the annual incentive plan (points system, with minimum access threshold, target assigned and maximum target).

More specifically, the Board will be responsible for:

i) identifying the individual participants for each cycle;

ii) establishing the long-term monetary incentive bonus for each of them;

iii) approving for each participant individual targets for each cycle; failure to achieve them constitutes an express termination condition for the bonus grant;

iv) assessing the degree of achievement of the targets by each participant;

v) approving proposed amendments, where necessary, to the functioning mechanisms of the plan.

The assessment as to whether to revise the plan is left to the discretion of the Board.

***c) Beneficiaries of the Plan***

Beneficiaries of the plan are certain Directors and Officers with strategic responsibilities of Italcementi S.p.A.

The plan is offered to participants considering the relevance of the functions attributed to them for the achievement of the Company's strategic targets.

Being a member of the Company's Board of Directors or having an office within the Company as Officer with strategic responsibilities are eligibility requirements to be admitted to the monetary incentive plan.

***d) Term and Constraints of the Plan***

The plan term is 3 (three) three-year cycles from 2010 to 2019. The term of the first cycle will be: i) for the Directors, the period 2010-2012, ii) for Officers with strategic responsibilities identified by the Company's Board of Directors (hereinafter, the Board), the period 2011-2013.

For each participant, the Board will, upon the Committee's proposal and, when applicable, having heard the opinion of the Committee for Transactions with Related Parties, establish the amounts of monetary bonuses related to the achievement of the assigned targets. These amounts will have to be established consistently with, among other criteria, the following:

i) market-based remuneration practices for senior Management positions of comparable corporations;

ii) consistency with the principles of the Company's "Remuneration Policy", in force from time to time;

iii) certainty of maximum possible cost for the Company, corresponding to a submultiple significantly lower than the value generated for the Company by achieving the targets related to disbursement of the bonus.

The right to obtain a pay-out of the bonus in connection with the long-term monetary incentive plan is subject to the achievement of the targets, linked to the Company's financial position and results of operations and to the other targets specifically assigned to the participant, as approved by the Board at the beginning of the cycle.

The Board, based on the opinion of the Committee, the Human Resources and Organizational Development Department Director and, when applicable, the Committee for Transactions with Related Parties, will assess and evaluate the degree of achievement of targets - which will be in no way linked to the performance / price of the Italcementi shares on the stock market - achieved during the three-year term of each cycle, thus calculating the bonus actually accrued in favor of each participant.

***e) Plan Implementation Procedures and Terms***

The plan provides for the assignment of a monetary premium to participants at the end of each three-year cycle, once the conditions for the expected performance as established at the beginning of the cycle have been met. The amount of the bonus will be directly linked to the degree of achievement of the targets assigned.

Without limitation to the right of the Board to decide otherwise, participation in the long-term monetary incentive plan, under this regulation, is inherently and functionally related to, and conditioned by, the permanence of each participant in the position held at the time of assignment for the entire duration of the cycle.

Subject to any exceptions for specific cases established by the Board having heard the Committee and, when applicable, the opinion of the Committee for Transactions with Related Parties, the following provisions will be applied to the cases mentioned below:

a) in the case of revocation of, or change in, position during the cycle, the Board may, at its discretion, based on the Committee's opinion, and in consideration of the reasons motivating the revocation or change, evaluate the possibility of paying out a compensatory lump sum bonus, commensurate with the portion of period and the transitional partial degree of achievement of targets assigned;

b) in the case of death of the participant during the cycle, the above will apply; if death occurs after the assigned targets have been achieved, the participant's heirs will be acknowledged the right to obtain payment of any bonus accrued.

***f) Other Responsibilities of the Board of Directors***

The Board, having heard the Committee's opinion, may temporarily suspend the long-term monetary incentive plan in the case of specific and particular circumstances.

The suspension of the effects coming from the right to bonus grant accrual under the long-term monetary incentive plan will occur in any case in which such circumstances may affect the conditions governing the execution of the plan, possibly altering the economic and financial preconditions and jeopardizing its aims as defined in letter a) above.

The Board may, in all the cases mentioned above and having heard the Committee's opinion, amend or integrate the plan, the cycle and this Regulation, or order the lapse of the same plan if it is no longer consistent with the Company's situation, subject to any rights acquired in the meantime as a result of the three-year period of reference having elapsed and the other requirements and conditions of this Regulation being met.

***g) Any Support for the Plan by the Special Fund for the Encouragement of Employee Participation in Enterprises, pursuant to Art. 4, paragraph 112 of Law No. 350 dated December 24, 2003***

Not applicable

***Stock Option Plan for Officers 2000***

By resolution of the Board of Directors held on March 20, 2000, the Company approved a stock option plan for officers, which, by resolution of the shareholders' meeting held on April 28, 2008 was replaced, only for the not executed part, by the "stock option Plan for top management" and by the "long-term monetary incentive Plan linked to the appreciation of the Italcementi shares for officers", whose main elements will be reported hereunder.

Overall, in execution of such Plan, 3,483,223 options were granted to the Group's management.

The figures mentioned above do not take into account the options granted to the former Chief Operating Officer and to the Chief Executive Officer when he was an employee of the Company. Including also such offices, the total options granted amount to 4,196,823, i.e. 1.496% of share capital.

No options were exercised during the year.

The options granted in execution of the Plan and not yet exercised amount to a total of 2,269,316.

***Stock Option Plan for the Top Management 2008***

The shareholders' meeting held on April 28, 2008 approved a second stock option plan for officers, which, for the not executed part, replaces the Stock Option Plan for officers described above.

With reference to this stock option Plan, the Company's Board of Directors, at its meeting held on June 4, 2008 regarding the three-year period 2008-2010, granted the Chief Operating Officer and 10 officers a total number of options ranging from a minimum of 1,180,000 to a maximum of 2,000,000. If the recipient does not reach the minimum targets assigned to him/her, he/she loses the right to exercise all of the options granted.

The Board of Directors, at its meeting held on March 4, 2011, upon proposal of the Remuneration Committee, assessed the degree of achievement of performance targets originally assigned to the Chief Operating Officer, granted 375,000 options to the Chief Operating Officer and 80,000 options to the Manager in charge of preparing the Company's financial reports.

The shareholders' meeting held on April 19, 2011 approved the cancellation of the Plan, for the not executed part.

***Long-Term Monetary Incentive Plan linked to the Appreciation of the Italcementi Shares for Officers***

This Plan was approved by the shareholders' meeting on April 28, 2008.

The Board of Directors, at its meeting held on June 4, 2008, granted 20 officers, with respect to the three-year period 2008-2010, from a minimum of 180,000 up to a maximum of 300,000 overall rights. If the beneficiary fails to achieve the minimum targets assigned, he/she loses the right to obtain payment of the entire *cash bonus*.

Having assessed the degree of achievement of assigned targets, the Chief Executive Officer granted 17 recipients (in the meantime, the remaining 3 had left the Company) a total number of 221,000 rights, of a value of € 6.272 per unit, equal to a total of € 1,386,134.

Moreover, the Chief Executive Officer, executing the powers provided by the Plan, identified, for the 2nd cycle of validity of the same - 2011/2013 - 28 officers of Italcementi S.p.A., to whom a minimum of 1,000,000 rights would be granted.

The main features of the Plan are the following.

***a) Reasons for the Adoption of the Plan***

These may be summarized as follows:

- to tie the overall treatment of beneficiaries to the Company's medium-long term performance and to "value creation" for shareholders;
- to reward the achievement of targets of each beneficiary, ensuring the highest involvement of the Company's entire top management on its performance and increasing the sense of belonging of beneficiaries, encouraging them to remain at the Company.

***b) Plan Management***

The corporate body responsible for decisions relating to the Plan is the Board of directors which delegates the Chief Executive Officer to manage the Plan, including through the technical support of the Human Resources and Organizational Development Department Director.

More specifically, the Chief Executive Officer will be responsible for:

i) establishing the maximum number of Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares, altogether attributable as part of the Cycle;

ii) identifying the individual Beneficiaries for each Cycle as well as deciding the number of Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares, granted to each Beneficiary;

iii) approving for each Beneficiary the individual Targets for each Cycle, whose failure to achieve will be an express termination condition of the Rights granted to participate in the long-term monetary incentive plan linked to the appreciation of Shares made in favor of the same Beneficiary within the Cycle, with the consequent forfeiture of the right to obtain the cash bonus linked to the same rights;

iv) assessing the degree of achievement of the Targets by each Beneficiary;

v) deciding the date of commencement of the Availability Period.

The management of the Plan is carried out by the Company's Human Resources and Organizational Development Department in accordance with the provisions of the Regulations.

***c) Beneficiaries of the Plan***

Beneficiaries of the plan are the Company's employees identified by the Chief Executive Officer, to whom Rights are granted to participate in the long-term monetary incentive plan linked to the appreciation of Shares.

***d) Term and Availability Restrictions on the Shares and on the Granted Option Rights***

The term of the Plan is of three three-year Cycles from 2008 to 2016.

The end of the Plan is set for late 2017 (the first year following the end of the last three-year Cycle).

The Chief Executive Officer, under the Plan, decides the number of rights to participate in the Plan to be granted to each of the beneficiaries on the basis of an overall evaluation, which, taking into account the Company's general performance as an essential prerequisite, and the strategic and organizational position of the role of each beneficiary in order to pursue the Company's strategic targets, will regard:

i) the Company's performance achieved in the period,

ii) the Beneficiary's organizational level in the Company's structure,

iii) consistency with the principles of overall remuneration underlining the Company's remuneration policy.

The accrual of the rights granted to each beneficiary is subject to the achievement of the targets linked to the financial position and results of operations and other individual targets specifically assigned.
The Chief Executive Officer, with the support of the Human Resources and Organizational Development Department, is in charge of the verification and evaluation, during each cycle, of the degree of achievement of the targets, accordingly defining the amount of rights to participate in the plan previously granted to each beneficiary.

***e) Procedures for the Value of Rights determination and Clauses for the Plan Implementation***

The Plan provides for the offer, free-of-charge and reserved to the beneficiaries, of rights to participate in the Plan which, once they reach maturity in accordance with the requirements and conditions laid down by the Regulations, will enable the beneficiaries to obtain payment of a cash bonus equal to the value of the shares as resulting from the arithmetic average of official prices of the same on the stock exchange market managed by *Borsa Italiana* (i.e. the Italian stock exchange market) within the thirty calendar days preceding the date of payment.
The rights to participate in the Plan are nominative and non-transferable.

In case of

a) termination of the employment relationship due to dismissal or resignation occurring after the Performance Monitoring Period has elapsed but before the beginning of Availability Period, the general principle will apply and therefore the Beneficiary will automatically and permanently lose the right to receive the cash bonus linked to the Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares, granted but not yet accrued;

b) termination of the employment relationship by mutual consent or resignation for retirement or further to invalidity, however occurred after the end of the Performance Monitoring Period, or if the Beneficiary has achieved the assigned Targets, the same Beneficiary will maintain the right to obtain the cash bonus linked to the Rights to participate in the long-term monetary incentive plan tied to the appreciation of Shares, granted but not yet accrued, if, after the date of termination of the employment, the accrual of the same actually takes place;

c) death of the Beneficiary after the end of the Performance Monitoring Period, or upon attainment of the Targets assigned, the Rights to participate in the long-term monetary incentive plan linked to the appreciation of Shares granted to the same under this Plan which may have been accrued will be awarded to the same Beneficiary’s heirs upon submission by the latter of the necessary documentation proving such qualification.

If, during the course of the assignment cycle, the transfer of the Beneficiary’s employment relationship occurs between the Company and its Italian and foreign subsidiaries or its parent company or between the latter, regardless of the manner by which such transfer occurred, or the Beneficiary’s organizational position is changed with a consequent change in the latter’s responsibilities, the Targets will also be updated in line with the new position.
In any case, the Chief Executive Officer may define an equitable amount payable to the Beneficiary in relation to the activities carried out till then.
For each three-year cycle a maximum of 223,000 Rights to participate in the Plan may be granted.

***f) Other Powers Assigned to the Board of Directors***

The Chief executive Officer may temporarily suspend the effects deriving from the accrual of Rights to participate in the plan in the case of specific and particular needs such as, by way of example but not limited to, changes in legal and regulatory provisions, excluding tax provisions, applicable to the legal relationships arising from the Plan.
The suspension of the effects deriving from the accrual of Rights to participate in the plan will also take place in any case in which such circumstances may occur as, by way of example but not limited to, corporate transactions, mergers and demergers having an effect on the Company's share capital, increase and reduction of the Company's share capital, changes to the Bylaws relating to the Shares such as to affect the conditions governing the implementation of the Plan, possibly altering the economic and financial conditions and jeopardizing its aims as previously defined.
In any case, the suspension will be promptly communicated to the Beneficiaries.

***g) Any support for the plan by the special Fund for the encouragement of employee participation in enterprises, pursuant to Art. 4, paragraph 112, of Law No. 350 dated December 24, 2003***

Not applicable.

1.2. Full representation in Section I of this Report was given of the agreements that provide for indemnity for early termination of contracts; the following information is also provided:

- the possible existence of such agreements, providing negative information if they are not present;

See Section I - letter. l);

- the criteria for calculating the indemnity payable to each person. If the indemnity is expressed in connection with the annual salary, indicate the components of such annual salary in detail;

  See Section I - letter l; in the case mentioned above, the annual salary is the sum of the fixed component and the variable component effectively disbursed in the reference year;

- the possible presence of performance criteria which the granting of remuneration is linked to;

  Not applicable;

- the possible effects of the employment contract termination on rights granted under incentive plans based on financial instruments or to be disbursed on a cash basis;

  See section II I.1 - PART ONE - 1.1; with respect to the long-term monetary incentive Plan for directors and key management personnel - letter e); with respect to the long-term monetary incentives Plan linked to the appreciation of Italcementi shares for officers - letter e).

  Furthermore:

  1) With respect to the stock option plan for directors - 2001: the exercise of stock option rights was subject to the condition that the director beneficiary of the Plan had regularly concluded his/her office during the term of which the options had been granted without early resignation being given and without a revocation measure being decided by the shareholders' meeting;

  2) With respect to the stock option plan for top management - 2008: In the event of:

     a) termination of the employment relationship due to dismissal or resignation after the Accrual Period expired but before the exercise of Options, the general principle will apply and therefore the beneficiary will automatically and permanently lose the right to subscribe or purchase the Shares underlying such Options;

     b) termination of the employment relationship by mutual consent, resignation due to retirement, or further to invalidity during the course of the Accrual Period but before the exercise of Options, or regarding a beneficiary who has achieved the assigned targets in the period, the same beneficiary will retain the right to exercise the Options not yet exercised in compliance with the terms and conditions laid down in the Regulations;

     c) the beneficiary's death occurring after the expiry of the Accrual Period but before the exercise of Options, or regarding a beneficiary who has achieved the assigned targets in the period, the Options may be exercised by the beneficiary's heirs upon submission by the latter of the necessary documentation proving that qualification;

  3) With respect to the stock option plan for officers - 2000: as a general rule, stock option rights not yet exercised will not be recognized - except in case of retirement - in the event of interruption of the employment relationship within the Group.

  In the case of death of the holder of options, these may be exercised by successors within six months of his/her death provided that such term falls within the period of exercisability of the options.

- cases in which the right to indemnity accrues;

  See section I - letter l);

- possible existence of agreements that provide for granting or maintaining non-monetary benefits in favor of persons who have ceased their assignment or for entering into consulting contracts for a period following termination of employment;

Not applicable;

- possible existence of agreements that provide for remuneration due to non-competition commitments;

  The Company, in general, does not conclude specific non-competition agreements with its Officers with strategic responsibilities, designed to pay consideration in cash, during the employment or after the termination thereof, related to their respective fixed remuneration in relation to the geographical extent, term and kind of business of the constraints arising from the same agreement;

- with reference to the directors who have terminated their office during the financial year, any deviations in defining their indemnity with respect to the provisions of the reference agreement;

  Not applicable;

- Where specific agreements are not provided, explain the criteria by which accrued indemnity was defined;

  Not applicable.

## I.2 – PART TWO

### Remunerations paid to Members of the Governing and Supervising Bodies, Chief Operating Officer and other officers with Strategic Responsibilities

| Name, surname | Position | Period during which the office was held | End of office term | Fixed remuneration | Remuneration for taking part in committees | Variable non-equity remuneration: Bonuses and other incentives | Variable non-equity remuneration: Profit sharing | Non-monetary benefits | Other remuneration | Total | Fair value of equity remuneration | End-of-service bonus and severance indemnity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Giampiero Pesenti** | Chairman<br>Executive Committee | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 1,040,000 | | 3,449,750 | | 211,653 | | 4,701,403 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 47,960 | | | | | | 47,960 | | |
| | | | **Total** | 1,087,960 | | 3,449,750 | | 211,653 | | 4,749,363 | | |
| **Pierfranco Barabani** | Deputy Executive Chairman<br>Executive Committee | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 215,000 | | 91,250 | | 2,385 | | 308,635 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 24,340 | | | | | | 24,340 | | |
| | | | **Total** | 239,340 | | 91,250 | | 2,385 | | 332,975 | | |
| **Lorenzo Renato Guerini** | Director<br>Deputy Chairman | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 170,000 | | | | | | 170,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 170,000 | | | | | | 170,000 | | |
| **Carlo Pesenti** | Chief Executive Officer<br>Executive Committee | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 1,335,000 | | 587,500 | | | | 1,922,500 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 35,540 | | | | | | 35,540 | | |
| | | | **Total** | 1,370,540 | | 587,500 | | | | 1,958,040 | | |
| **Giulio Antonello** | Director | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | | | | | | 45,000 | | |
| **Alberto Bombassei** | Director<br>Remuneration Committee | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | 15,000 | | | | | 60,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | 15,000 | | | | | 60,000 | | |
| **Giorgio Bonomi** | Director | 1.1 – 31-12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | | | | | | 45,000 | | |
| **Alberto Clô** | Director<br>Control and Risk Committee<br>Committee for Transactions with Related Parties | 1.1 – 31-12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | 60,000 | | | | | 105,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | 60,000 | | | | | 105,000 | | |
| **Federico Falck** | Director<br>Executive Committee<br>Control and Risk Committee<br>Committee for Transactions with Related Parties | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 90,000 | 60,000 | | | | | 150,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 90,000 | 60,000 | | | | | 150,000 | | |
| **Danilo Gambirasi** | Director | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 100,000 | | | | 1,308 | | 101,308 | | |
| | | | **Total** | 145,000 | | | | 1,308 | | 146,308 | | |
| **Carlo Garavaglia** | Director | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | | | | | | 45,000 | | |

| Name, surname | Position | Period during which the office was held | End of office term | Fixed remuneration | Remuneration for taking part in committees | Variable non-equity remuneration: Bonuses and other incentives | Variable non-equity remuneration: Profit sharing | Non-monetary benefits | Other remuneration | Total | Fair value of equity remuneration | End-of-service bonus and severance indemnity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Italo Lucchini** | Director<br>Remuneration Committee | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | 15,000 | | | | | 60,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 43,240 | | | | | | 43,240 | | |
| | | | **Total** | 88,240 | 15,000 | | | | | 103,240 | | |
| **Sebastiano Mazzoleni** | Director | 1.1 – 31-12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 38,540 | | | | | | 38,540 | | |
| | | | **Total** | 83,540 | | | | | | 83,540 | | |
| **Yves René Nanot** | Director<br>Executive Committee | 1.1 – 31-12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 90,000 | | | | | | 90,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 119,160 | | | | 3,775 | 144,353 | 267,288 | | |
| | | | **Total** | 209,160 | | | | 3,775 | 144,353 | 357,288 | | |
| **Marco Piccinini** | Director | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | | | | | | 45,000 | | |
| **Ettore Rossi** | Director<br>Supervising Board | 1.1 - 31-12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | 40,000 | | | | | 85,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 4,300 | | | | | | 4,300 | | |
| | | | **Total** | 49,300 | 40,000 | | | | | 89,300 | | |
| **Attilio Rota** | Director<br>Control and Risk Committee<br>Committee for Transactions with Related Parties | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 90,000 | 60,000 | | | | | 150,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 90,000 | 60,000 | | | | | 150,000 | | |
| **Carlo Secchi** | Director<br>Control and Risk Committee<br>Committee for Transactions with Related Parties | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | 60,000 | | | | | 105,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | 60,000 | | | | | 105,000 | | |
| **Elena Zambon** | Director | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Compensi nella società che redige il bilancio | | | | 45,000 | | | | | | 45,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | | | | | | 45,000 | | |
| **Emilio Zanetti** | Director<br>Remuneration Committee | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 45,000 | 15,000 | | | | | 60,000 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 45,000 | 15,000 | | | | | 60,000 | | |
| **Maria Martellini** | Chairman of the Board of Statutory Auditors | 1.1 – 31.12 | 2011 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 73,687 | | | | | | 73,687 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 73,687 | | | | | | 73,687 | | |
| **Mario Comana** | Standing Auditor | 1.1 – 31.12 | 2011 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 49,125 | | | | | | 49,125 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 49,125 | | | | | | 49,125 | | |
| **Luciana Gattinoni** | Standing Auditor | 1.1 – 31.12 | 2011 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 49,125 | | | | | | 49,125 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | | | | | | | | | |
| | | | **Total** | 49,125 | | | | | | 49,125 | | |

| Name, surname | Position | Period during which the office was held | End of office term | Fixed remuneration | Remuneration for taking part in committees | Variable non-equity remuneration | | Non-monetary benefits | Other remuneration | Total | Fair value of equity remuneration | End-of-service bonus and severance indemnity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Bonuses and other incentives | Profit sharing | | | | | |
| **Giovanni Battista Ferrario** | General Manager | 1.1 – 31.12 | - | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 350,000 | | 169,585 | | 26,990 | | 546,575 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 788,540 | | 714,000 | | | | 1,502,540 | | |
| | | | **Total** | 1,138,540 | | 883,585 | | 26,990 | | 2,049,115 | | |
| **Carlo Bianchini** | Manager in charge of preparing the company's financial statements | 1.1 – 31.12 | 2012 | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | | | 294,565 | | 131,435 | | 5,818 | 30,000 | 461,818 | | |
| (II) Remuneration from subsidiaries and affiliated companies | | | | 48,792 | | 9,000 | | | | 57,792 | | |
| | | | **Total** | 343,357 | | 140,435 | | 5,818 | 30,000 | 519,610 | | |

## Remunerations, split by each office, when the amount reported in the above table is in aggregate form

| | | |
|---|---|---|
| **Fixed remuneration** | | |
| Giampiero Pesenti | Remuneration as Director | 45,000 |
| | Remuneration as Executive committee member | 45,000 |
| | Fixed remuneration | 950,000 |
| Pierfranco Barabani | Remuneration as Director | 45,000 |
| | Remuneration as Executive committee member | 45,000 |
| | Fixed remuneration | 125,000 |
| | ***Subsidiaries and affiliated companies:*** | |
| | *Ing. Sala S.p.A.* | 18,000 |
| | *Ciments Français S.A.* | 6,340 |
| Lorenzo Renato Guerini | Remuneration as Director | 45,000 |
| | Fixed remuneration | 125,000 |
| Carlo Pesenti | Remuneration as Director | 45,000 |
| | Remuneration as Executive committee member | 45,000 |
| | Fixed remuneration | 1,245,000 |
| Federico Falck | Remuneration as Director | 45,000 |
| | Remuneration as Executive committee member | 45,000 |
| Italo Lucchini | ***Subsidiaries and affiliated companies:*** | |
| | *Ciments Français S.A.:* | |
| | Remuneration as Director | 37,040 |
| | *Azienda Agricola Lodoletta S.p.A.:* | |
| | Remuneration as Director | 6,200 |
| Yves René Nanot | Remuneration as Director | 45,000 |
| | Remuneration as Executive committee member | 45,000 |
| | ***Subsidiaries and affiliated companies:*** | |
| | *Ciments Français S.A.:* | |
| | Remuneration as Director | 38,540 |
| | *Subsidiaries of Ciments Français S.A.:* | |
| | Remuneration as Director | 105,813 |
| Attilio Rota | Remuneration as Director | 45,000 |
| | Remuneration as Executive committee member | 45,000 |

| | | |
|---|---|---|
| **Remuneration for the Board committees' members** | | |
| Alberto Clô | Control and Risks Committee | 35,000 |
| | Committee for Transactions with related parties | 25,000 |
| Federico Falck | Control and Risks Committee | 35,000 |
| | Committee for Transactions with related parties | 25,000 |
| Attilio Rota | Control and Risks Committee | 35,000 |
| | Committee for Transactions with related parties | 25,000 |
| Carlo Secchi | Control and Risks Committee | 35,000 |
| | Committee for Transactions with related parties | 25,000 |

## Stock-options Granted to Members of the Governing and Supervising Bodies, Chief Operating Officer and other Officers with Strategic Responsibilities

| | | | Options held at the beginning of the financial year | | | Options granted during the financial year | | | | | | Options exercised during the financial year | | | Options expired during the financial year | Options held at the end of the financial | Options accrued in the financial year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15)= (2)+(5) -11-14 | (16) |
| Name, surname | Position | Plan | Number of options | Exercise price | Period of possible exercise (from-to) | Number of options | Exercise price | Period of possible exercise (from-to) | Fair value as of the grant date | Grant date | Market price of shares underlying the granting of options | Number of options | Exercise price | Market price of underlying shares as of the date of exercise | Number of options | Number of options | Fair value |
| **Giampiero Pesenti** | Chairman | | | | | | | | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | Stock option plan for directors (BoD resolution 9/52001) | 150,000 | 13.3871 | 17.03.2008 16.03.2015 | - | - | - | - | - | - | - | - | - | - | 150,000 | - |
| | | | 150,000 | 16.89 | 07.03.2009 06.03.2016 | - | - | - | - | - | - | - | - | - | - | 150,000 | - |
| | | | 150,000 | 23.049 | 07.03.2010 06.03.2017 | - | - | - | - | - | - | - | - | - | - | 150,000 | - |
| (II) Remuneration from subsidiaries and affiliated companies | | | - | | | | | | | | | | | | | - | - |
| | | Total | 450,000 | | | | | | | | | | | | | 450,000 | - |
| **Carlo Pesenti** | Chief Executive Officer | | | | | | | | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | Stock option plan for directors (BoD resolution 9/52001) | 135,000 | 13.3871 | 17.03.2008 16.03.2015 | - | - | - | - | - | - | - | - | - | - | 135,000 | - |
| | | | 85,000 | 16.89 | 07.03.2009 06.03.2016 | - | - | - | - | - | - | - | - | - | - | 85,000 | - |
| | | | 200,000 | 23.049 | 07.03.2010 06.03.2017 | - | - | - | - | - | - | - | - | - | - | 200,000 | - |
| (II) Remuneration from subsidiaries and affiliated companies | | | - | | | | | | | | | | | | | - | - |
| | | Total | 420,000 | | | | | | | | | | | | | 420,000 | - |
| **Yves René Nanot** | Consigliere | | | | | | | | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | Plan A (date of relevant resolution) | - | | | | | | | | | | | | | - | - |
| (II) Remuneration from subsidiaries and affiliated companies | | Plan A (BoD resolution 1/3/2005) | 40,000 | 70.88 | 14.04.2008 13.04.2015 | - | - | - | - | - | - | - | - | - | - | 40,000 | - |
| | | Plan B (BoD resolution 1/3/2006) | 45,000 | 117.29 | 23.03.2009 22.03.2016 | - | - | - | - | - | - | - | - | - | - | 45,000 | - |
| | | Plan C (BoD resolution 5/3/2007) | 45,000 | 140.28 | 23.03.2010 22.03.2017 | - | - | - | - | - | - | - | - | - | - | 45,000 | - |
| | | Plan D (BoD resolution 14/4/2008) | 45,000 | 108.55 | 14.04.2011 13.04.2018 | | | | | | | | | | | 45,000 | - |
| | | Total | 175,000 | | | | | | | | | | | | | 175,000 | |
| **Giovanni Battista Ferrario** | General Manager | | | | | | | | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | Stock option plan for directors (Shareholders' resolution 26/4/2008) | 375,000 | 13.355 | 04.06.2011 03.06.2018 | - | - | - | - | - | - | - | - | - | - | 375,000 | - |
| (II) Remuneration from subsidiaries and affiliated companies | | | - | | | | | | | | | | | | | - | - |
| | | Total | 375,000 | | | | | | | | | | | | | 375,000 | - |

| | | | Options held at the beginning of the financial year | | | Options granted during the financial year | | | | | | Options exercised during the financial year | | | Options expired during the financial year | Options held at the end of the financial | Options accrued in the financial year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | B | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15)=(2)+(5)-11-14 | (16) |
| Name, surname | Position | Plan | Number of options | Exercise price | Period of possible exercise (from-to) | Number of options | Exercise price | Period of possible exercise (from-to) | Fair value as of the grant date | Grant date | Market price of shares underlying the granting of options | Number of options | Exercise price | Market price of underlying shares as of the date of exercise | Number of options | Number of options | Fair value |
| **Carlo Bianchini** | Manager in charge | | | | | | | | | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | | Stock option plan for directors (BoD resolution 20/3/2000) | 10,750 | 13.3871 | 17.03.2008 16.03.2015 | - | - | - | - | - | - | - | - | - | - | 10,750 | |
| | | | 10,000 | 16.89 | 07.03.2009 06.03.2016 | - | - | - | - | - | - | - | - | - | - | 10,000 | |
| | | | 13,300 | 23.049 | 07.03.2010 06.03.2017 | - | - | - | - | - | - | - | - | - | - | 13,300 | |
| | | | 14,440 | 12.804 | 26.03.2011 25.03.2018 | - | - | - | - | - | - | - | - | - | - | 14,440 | |
| | | Stock option plan for directors (Shareholders' resolution 26/4/2008) | 80,000 | 13.355 | 04.06.2011 03.06.2018 | - | - | - | - | - | - | - | - | - | - | 80,000 | |
| (II) Remuneration from subsidiaries and affiliated companies | | | - | | | | | | | | | | | | | - | |
| | | **Total** | 128,490 | | | | | | | | | | | | | 128,490 | |

Italcementi
Italcementi Group

## Monetary Incentive Plans in Favor of Members of the Governing and Supervising Bodies, Chief Operating Officer and other Officers with Strategic Responsibilities

| Name, surname | Position | Plan | Bonus for the year | | | Bonus for previous years | | | Other bonuses |
|---|---|---|---|---|---|---|---|---|---|
| | | | Payable/disbursed | Deferred | Deferment period | Not payable any more | Payable/disbursed | Still deferred | |
| **Giampiero Pesenti** | Chairman | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | February 3, 2012 | Annual MBO | 471,500 | | | | | | |
| | February 3, 2011 | Three-year LTI | 992,750* | | | | 1,985,500** | | |
| (II) Remuneration from subsidiaries and affiliated companies | - | - | | | | | | | |
| **Total** | | | 1,464,250 | | | | 1,985,500 | | |
| **Pierfranco Barabani** | Executive Deputy Chairman | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | February 3, 2012 | Annual MBO | 91,250 | | | | | | |
| (II) Remuneration from subsidiaries and affiliated companies | - | - | | | | | | | |
| **Total** | | | 91,250 | | | | | | |
| **Carlo Pesenti** | Chief Executive Officer | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | February 3, 2012 | Annual MBO | 587,500 | | | | | | |
| | February 3, 2011 | Three-year LTI | 0 | | | | 0 | | |
| (II) Remuneration from subsidiaries and affiliated companies | - | - | | | | | | | |
| **Total** | | | 587,500 | | | | 0 | | |
| **Giovanni Battista Ferrario** | General Manager | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | February 3, 2012 | Annual MBO | 167,500 | | | | | | |
| | March 4, 2011 | Three-year LTI | | Max 1,000,000*** | | | | Max 1,000,000**** | |
| (II) Remuneration from subsidiaries and affiliated companies | February 1, 2012 | Annual MBO | 714,000 | | | | | | |
| **Total** | | | 881,500 | Max 1,000,000*** | | | | Max 1,000,000**** | |
| **Carlo Bianchini** | Manager in charge | | | | | | | | |
| (I) Remuneration in the company preparing the financial statements | February 3, 2012 | Annual MBO | 130,500 | | | | | | |
| | March 4, 2011 | Three-year LTI | | Max 133,000*** | | | | Max 133,000**** | |
| (II) Remuneration from subsidiaries and affiliated companies | - | - | | | | | | | |
| **Total** | | | 130,500 | Max 133,000*** | | | | Max 133,000**** | |

* Theoretical portion of the 2010-2012 LTI plan accrued in financial year 2012
** Theoretical portion of the 2010-2012 LTI plan accrued in financial year 2010 and 2011
*** Theoretical portion of the 2011-2013 LTI plan accrued in financial year 2012
**** Theoretical portion of the 2011-2013 LTI plan accrued in financial year 2011

## Participation of Governing and Supervising Bodies, Chief Operating Officer and Manager in charge of Preparing the Company's Financial Reports

| Name, last name | Position | Company held | Numero delle azioni possedute alla fine dell'esercizio precedente | Number of shares purchased | Number of shares sold | Number of shares held at the end of the current financial year |
|---|---|---|---|---|---|---|
| Giampiero Pesenti | Chairman | Italcementi | ordinary shares: 10,972 [1]<br>savings shares: 22,698 [2] | ordinary shares: -<br>savings shares: - | ordinary shares: -<br>savings shares: - | ordinary shares: 10,972 [1]<br>savings shares: 22,698 [2] |
| Pierfranco Barabani | Executive Deputy Chairman | Italcementi | ordinary shares: 78,780 [2]<br>savings shares: 884 | ordinary shares: -<br>savings shares: - | ordinary shares: -<br>savings shares: - | ordinary shares: 78,780 [2]<br>savings shares: 884 |
| Lorenzo Renato Guerini | Deputy Chairman | Italcementi | ordinary shares: 60,000 [1] | ordinary shares: - | ordinary shares: - | ordinary shares: 60,000 [1] |
| Carlo Pesenti | Chief Executive Officer | Italcementi | ordinary shares: 1,500 [1]<br>savings shares: 3,000 [1] | ordinary shares: -<br>savings shares: - | ordinary shares: -<br>savings shares: - | ordinary shares: 1,500 [1]<br>savings shares: 3,000 [1] |
| | | Ciments Français | ordinary shares: 50 | ordinary shares: - | ordinary shares: - | ordinary shares: 50 |
| Giorgio Bonomi | Director | Italcementi | ordinary shares: 2,500 | ordinary shares: - | ordinary shares: - | ordinary shares: 2,500 |
| Federico Falck | Director | Italcementi | ordinary shares: 41,600<br>savings shares: 6,760 | ordinary shares: -<br>savings shares: - | ordinary shares: -<br>savings shares: - | ordinary shares: 41,600<br>savings shares: 6,760 |
| Danilo Gambirasi | Director | Italcementi | ordinary shares: 1,248 | ordinary shares: - | ordinary shares: - | ordinary shares: 1,248 |
| Carlo Garavaglia | Director | Italcementi | ordinary shares: | ordinary shares: 100 | ordinary shares: - | ordinary shares: 100 |
| Italo Lucchini | Director | Ciments Français | ordinary shares: 50 | ordinary shares: - | ordinary shares: - | ordinary shares: 50 |
| Sebastiano Mazzoleni | Director | Italcementi | ordinary shares: 7,352<br>savings shares: 7,040 | ordinary shares: -<br>savings shares: - | ordinary shares: -<br>savings shares: - | ordinary shares: 7,352<br>savings shares: 7,040 |
| Yves René Nanot | Director | Ciments Français | ordinary shares: 89,550 | ordinary shares: - | ordinary shares: - | ordinary shares: 89,550 |
| Attilio Rota | Director | Italcementi | ordinary shares: 108,186 [3] | ordinary shares: - | ordinary shares: - | ordinary shares: 108,186 [3] |
| Emilio Zanetti | Director | Italcementi | ordinary shares: 4,160 | ordinary shares: - | ordinary shares: | ordinary shares: 4,160 |
| Mario Comana | Regular Auditor | Italcementi | ordinary shares: 2,500<br>savings shares: 2,000 | ordinary shares: -<br>savings shares: - | ordinary shares: -<br>savings shares: - | ordinary shares: 2,500<br>savings shares: 2,000 |
| Carlo Bianchini | Responsible Manager | Italcementi | ordinary shares: 4,500 | ordinary shares: - | ordinary shares: - | ordinary shares: 4,500 |

[1] Shares held by spouse
[2] Shares in part held directly and in part by spouse
[3] Shares in part held directly (in part with beneficial ownership and voting rights only) and in part by spouse

* * *

Dear Shareholders,

We invite you to adopt the following resolution:

"The Shareholders' Meeting of Italcementi S.p.A. held on April 17th, 2013,

- having acknowledged the Report prepared by the Directors,

hereby resolves

***In favor of / against***

the first section of the Report on Remuneration illustrated above.

## Authorization to purchase and dispose of treasury shares

Dear Shareholders,

As illustrated in other sections of this Report, the ordinary shareholders' meeting of April 18, 2012, renewed the authorization for the Company to acquire and dispose of treasury shares for a period of 18 months as of the resolution date.

In connection with the aforementioned shareholders' resolution, the Company has not purchased any ordinary and savings shares nor has it sold those held in portfolio to stock option beneficiaries during the fiscal year, since no options were exercised.

As a consequence, as at March 5, 2013, the Company holds 3,793,029 ordinary treasury shares and 105,500 savings treasury shares. The carrying amount of treasury shares in portfolio at date thereof is equal to a total amount of Euro 58,689,585.56, as reflected in the accounts in accordance with the applicable laws.

Since the authorization expires on October 17, 2013, in order to enable the Company to maintain its right to acquire and dispose of treasury shares, we invite you to resolve upon the renewal of such authorization for the next 18 months.

This proposal does not contain any differences in respect to the proposal approved by the shareholders' meeting of last year.

**1) Reasons underlying the proposed authorization to acquire and dispose of treasury shares.**

The authorization is requested in order to:

• dispose of treasury shares

  * to be granted to employees and/or directors in connection with stock option plans reserved to them;

  * for medium/long-term investment purposes;

• operate, in compliance with current regulations, directly or through intermediaries, in order to limit anomalous trends in share prices and to regularize stock exchange prices caused by temporary distortions linked to excessive volatility or low trading liquidity;

• create a treasury stock portfolio to serve extraordinary financial transactions or for other purposes deemed to be in the financial, business and /or strategic interest of the Company;

• offer an additional tool to monetize their investments to the shareholders.

**2) Maximum number, category and nominal value of the shares which the authorization refers to; compliance with paragraph 3, art. 2357 of the Italian Civil Code**

Purchases refer to ordinary and/or savings shares of the Company whose maximum number, including treasury shares already held as at the date hereof by the Company and by the subsidiaries (which will receive specific instructions for timely disclosure of the shares they hold), shall not exceed an overall nominal value of one tenth of the entire share capital.

In any case, purchases shall be made, in accordance with article 2357 of the Italian Civil Code, within the limits of the distributable earnings and available reserves reflected in the latest approved financial statements of the Company.

The consideration paid or received with respect to treasury shares purchase or sale shall be directly reflected in equity in compliance with IAS 32 and it shall in any case be accounted for in the manner established by the laws in force from time to time.

**3) Term of the authorization.**

The authorization to purchase treasury shares is requested for a period of 18 months as of the date on which the shareholders adopts the resolution, while the authorization for their disposal is requested without time limits.

**4) Minimum and maximum consideration and market values on which such considerations have been determined.**

The purchase price of each share shall not be lower nor exceed 15%, as peak, than the average reference share price occurred on the same regulated market in the last three sessions preceding each transaction.

The overall consideration to be paid by the Company for the purchase shall in no case exceed the amount of Euro 100 million.

The shares may be sold, whether or not purchases have been completed, and on one or more occasions (also through public offers or offers to the shareholders or through placement of warrants and depositary receipts representing shares and/or similar securities), at a price no lower than the lowest purchase price.

This price limit shall not apply in the event of sale of shares offered to the employees of Italcementi S.p.A. and its subsidiaries, parent companies and the other companies controlled by the latter or to members of the Board of Directors of Italcementi S.p.A. and its subsidiaries who are vested with special offices in compliance with the Articles of Association or who perform specific operating duties, in connection with stock option plans for employees and for directors.

**5) Terms and Conditions according to which purchases shall be made.**

Purchases of treasury shares shall be normally made, unless otherwise indicated below, so that equal treatment of shareholders is ensured and offers to purchase, directly matched with pre-determined offers to sell, are not allowed.

Moreover, in consideration of the various purposes illustrated in this proposal, the Board of Directors proposes to be authorized to purchase in accordance with any other manner allowed under current laws and regulations governing the stock market on which the transaction is performed and, therefore, as at the present time:

- through public tender or exchange offers;
- through the purchase and sale of derivatives traded on regulated markets which provide for physical delivery of the underlying shares;
- through the proportional allocation to shareholders of put options to be exercised within the term of the authorization as per paragraph 3 above.

With regard to sale transactions, the Board of Directors proposes that the authorization shall allow the adoption of any procedure deemed appropriate to achieve the intended objectives to be executed either directly or through intermediaries, in compliance with national and European laws and regulations.

The treasury shares acquisitions and sales which the authorization is requested for will be executed in compliance with applicable laws, especially, in compliance with national and European laws and regulations including those on market abuse.

Appropriate disclosure of treasury shares acquisitions and sales will be provided in compliance with the applicable disclosure requirements.

**6) Acquisition in order to reduce share capital.**

In light of these forecasts, this hypothesis does not apply.

* * *

Dear Shareholders,

If you agree with our proposal, we invite you to resolve upon the following resolution:

"Italcementi S.p.A. shareholders' meeting held on April 17, 2013,

- having acknowledged the Directors' proposal,
- taking into account articles 2357 and 2357-ter of the Italian Civil Code

**hereby resolves**

1) to revoke the resolution authorizing the acquisition and disposal of treasury shares adopted by the ordinary shareholders' meeting of April 18, 2012;
2) to authorize, pursuant to art. 2357 of the Italian Civil Code, the purchase of ordinary and/or savings treasury shares, for the amounts, at the price, according to the terms and conditions indicated herein below:
   - the purchases shall be made once or in more times, within 18 months of the resolution date;
   - the purchase price of each share shall not be more than 15% above or below the average reference price as recorded on the same regulated market in the three sessions preceding each transaction;
   - the overall amount paid shall in no case exceed Euro 100 million;
   - the maximum number of ordinary and/or savings shares acquired shall not have an overall nominal value, including treasury shares already held as of the date hereof by the Company and by the subsidiaries, in excess of one tenth of the share capital;
3) to authorize, pursuant to art. 2357-ter, paragraph 1 of the Italian Civil Code, the Chairman, Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer in office from time to time to severally dispose of the purchased treasury shares, even if the purchase has not been completed yet, in compliance with current laws and without time limits.

   The sale price shall not be lower than the lowest purchase price.

   This price limit shall not apply, however, in the event of a sale of shares to the employees of Italcementi S.p.A. and its subsidiaries, parent companies and the other companies controlled by the latter or to members of the Board of Directors of Italcementi S.p.A. and its subsidiaries who are vested with special offices in compliance with the Articles of Association or who perform specific operating duties, in connection with stock option plans for employees and for directors.
4) to establish that:
   - the purchases shall be normally conducted so that equal treatment of shareholders is ensured and offers to purchase directly matched with pre-determined offers to sell are not allowed, or, taking into account the various possible purposes, in any other manner allowed under current laws and regulations governing the stock market on which the transactions are performed;
   - the shares shall be disposed of in any manner deemed appropriate to achieve the objectives pursued, directly or through intermediaries, in compliance with current applicable national and European laws and regulations;
   - treasury shares purchases and sales shall be executed in compliance with applicable laws and, specifically, with laws and regulations governing the stock market on which the transactions are performed;

5) to establish that the consideration paid or received with respect to treasury shares purchases or sales transactions shall be reflected directly in equity in compliance with IAS 32 and shall in any case be accounted for in the manner established by the laws in force from time to time;

6) to severally grant to the Chairman, Executive Deputy Chairman, Deputy Chairman and Chief Executive Officer in office from time to time any power to proceed with the purchases and sales and in any case to execute the above resolutions, also through attorneys-in-fact, complying with any requirements provided for by the competent authorities".

Bergamo, March 5, 2013

On behalf of the Board of Directors
The Chairman
Giampiero Pesenti

## Appointment of the Board of Directors upon determination of the term of office and the number of its members

Dear Shareholders,

The term of office of the Board of Directors of your Company is about to expire.

We thank you for your trust and invite you to appoint the new corporate body, after having determined the term of office and the number of its members which, under Art. 14 of the By-laws, cannot be less than 11 and higher than 21.

Under the By-laws, the appointment of the Board of Directors is made on the basis of lists aimed at assuring representation in the Board also to minority shareholders.

Lists may be presented only by shareholders who, alone or together with other shareholders, can prove they hold, as at the filing date, an overall percentage of the share capital with voting rights no lower than 2.5%.

No shareholder may present or participate in the presentation of more than one list, neither through third parties or trust company.

Shareholders belonging to the same group and shareholders who are party to a shareholders' agreement on the Company's shares are not allowed to present or vote for more than one list, neither through third party or trust companies.

Any lists filed in violation of these restrictions are not accepted.

In each list the names of candidates must be listed in sequential order.

Lists including a number of candidates equal to or greater than three must be composed of candidates belonging to both genders, so that one or the other of the genders is represented by at least one third (rounded upwards) of the candidates.

Pursuant to the By-laws, as amended by the Annual General Meeting of April 18, 2012 to reflect the rules on gender quotas introduced by Law 12 July 2011 no. 120, lists including a number of candidates equal to or greater than three must be composed of candidates representing both genders, so that one or the other gender represents at least one third (rounded upwards) of the candidates. However, as explained last year to Shareholders in the report on the proposed amendments to the By-laws, being the first application of the Law, the quota reserved to the less represented gender is reduced to one fifth (rounded upwards) of the candidates.

Each candidate may be presented on one list only, under penalty of ineligibility.

Lists must be filed with the registered office (***via G. Camozzi 124, 24121 Bergamo*** – Corporate Affairs Department) or sent to the certified e-mail address *affarisocietari@italcementi.legalmail.it*, at least twenty-five days prior to the date of the scheduled Annual General Meeting (i.e. by 23rd March, 2013), along with the following documentation:

a) statements by which individual candidates accept their candidature and, under their own responsibility, state the non-existence of ineligibility causes and possession of the integrity requirements established by law;
b) a brief resume concerning personal and professional skills of each candidate, with indication of their position as director and statutory auditor in other companies;
c) statements of each candidate about the possession of the independence requisites required by the law and the Code of Conduct;
d) information on the identity of shareholders who have submitted the lists;
e) a statement of the shareholders who do not hold, even jointly, a controlling or majority stake, bearing witness to the absence of any connection with the majority shareholder, as defined by the law in force.

The documentation issued by the authorized intermediary and providing evidence of the entitlement to the voting right as at the filing date of the lists can be produced also afterwards, but in any case at least 21 days prior to the scheduled Annual General Meeting (*i.e. by and not later than March 27th, 2013*).

Lists filed in breach of the above provisions are considered as not filed.

Bergamo, March 5, 2013

On behalf of the Board of Directors
The Chairman
Giampiero Pesenti

# Separated financial statements

# Financial statements

## Statement of financial position

| (euro) | Notes | 12.31.2012 | 12.31.2011 | Change |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | 2 | 564,531,704 | 582,027,296 | (17,495,592) |
| Investment property | 2 | 18,833,484 | 12,875,572 | 5,957,912 |
| Goodwill | 3 | 25,170,042 | 0 | 25,170,042 |
| Intangible assets | 4 | 33,768,770 | 28,592,972 | 5,175,798 |
| Investments in subsidiaries and associates | 5 | 1,597,124,909 | 1,721,666,830 | (124,541,921) |
| Other equity investments | 5 | 5,730,012 | 5,731,012 | (1,000) |
| Deferred tax assets | 19 | 28,474,519 | 26,533,915 | 1,940,604 |
| Other non-current assets | 6 | 191,292,721 | 200,708,026 | (9,415,305) |
| **Total non-current assets** | | **2,464,926,161** | **2,578,135,623** | **(113,209,462)** |
| **Current assets** | | | | |
| Inventories | 7 | 113,305,132 | 108,592,701 | 4,712,431 |
| Trade receivables | 8 | 220,797,703 | 276,998,802 | (56,201,099) |
| Other current assets including derivatives | 9 | 78,168,040 | 74,570,047 | 3,597,993 |
| Tax assets | 10 | 2,911,203 | 4,795,813 | (1,884,610) |
| Equity investments, bonds and financial assets | 11 | 296,708,429 | 375,757,775 | (79,049,346) |
| Cash and cash equivalents | 12 | 1,423,888 | 478,967 | 944,921 |
| **Total current assets** | | **713,314,395** | **841,194,105** | **(127,879,710)** |
| **Total assets** | | **3,178,240,556** | **3,419,329,728** | **(241,089,172)** |
| **Equity** | | | | |
| Share capital | 13 | 282,548,942 | 282,548,942 | 0 |
| Share premium | 14 | 344,103,798 | 344,103,798 | 0 |
| Reserves | 14 | (1,540,334) | 17,998,546 | (19,538,880) |
| Treasury shares | 15 | (58,689,585) | (58,689,585) | 0 |
| Retained earnings | 16 | 909,743,209 | 1,198,686,097 | (288,942,888) |
| **Total equity** | | **1,476,166,030** | **1,784,647,798** | **(308,481,768)** |
| **Non-current liabilities** | | | | |
| Financial liabilities | 20 | 781,156,325 | 832,068,566 | (50,912,241) |
| Employee benefits | 17 | 73,094,648 | 41,392,717 | 31,701,931 |
| Provisions | 18 | 28,593,984 | 27,311,521 | 1,282,463 |
| Other non-current liabilities | 20 | 23,505,708 | 27,144,996 | (3,639,288) |
| **Total non-current liabilities** | | **906,350,665** | **927,917,800** | **(21,567,135)** |
| **Current liabilities** | | | | |
| Loans and borrowings | 20 | 373,488,370 | 146,416,308 | 227,072,062 |
| Financial liabilities | 20 | 219,963,047 | 338,554,990 | (118,591,943) |
| Trade payables | 21 | 107,653,859 | 112,802,168 | (5,148,309) |
| Other current liabilities | 22 | 94,618,585 | 108,990,664 | (14,372,079) |
| **Total current liabilities** | | **795,723,861** | **706,764,130** | **88,959,731** |
| **Total liabilities** | | **1,702,074,526** | **1,634,681,930** | **67,392,596** |
| **Total equity and liabilities** | | **3,178,240,556** | **3,419,329,728** | **(241,089,172)** |

# Income statement

| (euro) | Notes | 2012 | % | 2011 | % | Change | % |
|---|---|---|---|---|---|---|---|
| **Revenue** | 24 | **554,710,483** | **100.0** | **613,792,598** | **100.0** | **(59,082,115)** | **-9.6** |
| Other revenue | 25 | 33,050,794 | | 32,254,562 | | | |
| Change in inventories | | 11,308,109 | | 2,143,169 | | | |
| Internal work capitalized | | 1,140,763 | | 1,281,289 | | | |
| Raw materials and supplies | 26 | (289,540,057) | | (341,433,092) | | | |
| Services | 27 | (153,524,811) | | (176,109,581) | | | |
| Employee expense | 28 | (171,767,300) | | (176,411,711) | | | |
| Other operating income (expense) | 29 | 9,538,329 | | 43,940,516 | | | |
| **Recurring EBITDA** | | **(5,083,690)** | **-0.9** | **(542,250)** | **-0.1** | **(4,541,440)** | **n.s.** |
| Net gains from sale of non-current assets | 30 | 18,469,190 | | 16,336,531 | | | |
| Other non-recurring income (expense) | 30 | (44,852,485) | | (8,097,887) | | | |
| **EBITDA** | | **(31,466,985)** | **-5.7** | **7,696,394** | **1.3** | **(39,163,379)** | **n.s.** |
| Amortization and depreciation | 2-4 | (75,882,750) | | (81,610,136) | | | |
| Impairment | 2 | (27,373,086) | | (693,212) | | | |
| **EBIT** | | **(134,722,821)** | **-24.3** | **(74,606,954)** | **-12.2** | **(60,115,867)** | **n.s.** |
| Finance income | 31 | 156,511,784 | | 202,488,114 | | | |
| Finance costs | 31 | (77,916,834) | | (91,592,169) | | | |
| Exchange-rate differences and derivatives | 31 | 1,539,829 | | (1,076,983) | | | |
| Impairment on financial assets | 5 | (141,356,939) | | (52,284,040) | | | |
| **Profit (loss) before tax** | | **(195,944,981)** | **-35.3** | **(17,072,032)** | **-2.8** | **(178,872,949)** | **n.s.** |
| Income tax expense | 32 | (6,937,402) | | 24,073,983 | | | |
| **Profit (loss) for the period** | | **(202,882,383)** | **-36.6** | **7,001,951** | **1.1** | **(209,884,334)** | **n.s.** |

n.s. = not significant

## Statement of comprehensive income

| (euro) | Notes | 2012 | % | 2011 | % | Change | % |
|---|---|---|---|---|---|---|---|
| **Profit (loss) for the period** | | **(202,882,383)** | **-36.6** | **7,001,951** | **1.1** | **(209,884,334)** | **n.s.** |
| Fair value gains (losses) on: | | | | | | | |
| Available-for-sale financial assets | | - | | (7,524,000) | | 7,524,000 | |
| Derivatives | | (19,538,880) | | 2,897,048 | | (22,435,928) | |
| Tax on other comprehensive income (expense) | | - | | 1,900,257 | | (1,900,257) | |
| **Other comprehensive income (expense)** | **32** | **(19,538,880)** | | **(2,726,695)** | | **(16,812,185)** | |
| **Total comprehensive income (expense)** | | **(222,421,263)** | **-40.1** | **4,275,256** | **0.7** | **(226,696,519)** | **n.s.** |

n.s. = not significant

## Statements of changes in equity

| (euro) | Share capital | Reserves | | | | Treasury shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| | | Share premium | AFS fair value reserve | Derivatives fair value | Other reserves reserve | | | |
| **Balances at 31 Dec. 2010 re-stated** | **282,548,942** | **344,103,798** | **7,524,000** | **( 9,807,074)** | **23,513,732** | **( 58,689,585)** | **1,225,122,195** | **1,814,316,008** |
| Profit (loss) for the period | | | | | | | 7,001,951 | 7,001,951 |
| Total other comprehensive income | | | (7,524,000) | 4,797,305 | | | | (2,726,695) |
| Stock options | | | | | (505,417) | | | (505,417) |
| Distribution of earnings: | | | | | | | | |
| Dividends | | | | | | | (33,438,049) | (33,438,049) |
| **Saldi al 31 dic. 2011** | **282,548,942** | **344,103,798** | **-** | **( 5,009,769)** | **23,008,315** | **( 58,689,585)** | **1,198,686,097** | **1,784,647,798** |
| Profit (loss) for the period | | | | | | | (202,882,383) | (202,882,383) |
| Total other comprehensive income | | | | (19,538,880) | | | | (19,538,880) |
| Stock options | | | | | | | | - |
| Recognition merger deficit | | | | | | | (45,620,602) | (45,620,602) |
| Distribution of earnings: | | | | | | | | |
| Dividends | | | | | | | (40,439,903) | (40,439,903) |
| **Saldi al 31 dic. 2012** | **282,548,942** | **344,103,798** | **-** | **( 24,548,649)** | **23,008,315** | **( 58,689,585)** | **909,743,209** | **1,476,166,030** |

## Statement of cash flows

| (euro) | 2012 | 2011 |
|---|---|---|
| **A) Cash flow from operating activities:** | | |
| Profit (loss) before tax | (195,944,981) | (17,072,033) |
| Amortization, depreciation and impairment | 104,065,036 | 83,351,248 |
| Impairment on financial assets | 141,356,939 | 52,284,040 |
| (Gains)/losses from the business unit | (13,225,904) | 0 |
| Net (gains)/losses from sale of non-current assets | (13,171,944) | (18,829,797) |
| Change in employee benefits and other provisions | 34,789,489 | 655,386 |
| Stock options | 0 | (505,419) |
| Reversal financial income | (69,458,300) | (106,663,719) |
| **Cash flow from operating activities before tax, finance income/costs and change in working capital:** | **(11,589,665)** | **(6,780,294)** |
| Working capital | 40,334,782 | (49,349,276) |
| Other assets/liabilities | 6,454,971 | (28,534,267) |
| **Total change in working capital** | **46,789,753** | **(77,883,543)** |
| Net finance costs paid | (39,166,031) | (40,030,986) |
| Dividends received | 109,681,816 | 148,664,704 |
| Taxes paid | (548,244) | 12,094,457 |
| **Total A)** | **105,167,629** | **36,064,338** |
| **B) Cash flow from investing activities:** | | |
| Capital expenditure: | | |
| Intangible assets | (10,277,306) | (18,922,498) |
| Property, plant and equipment and investment property | (66,582,454) | (61,867,481) |
| Financial assets (equity investments) | (1,095,000) | (50,824,381) |
| Other assets | (4,120,885) | - |
| **Total capital expenditure** | **(82,075,645)** | **(131,614,360)** |
| Proceeds from sale of business unit | 16,000,438 | **0** |
| Receivables from sale of business unit | (13,624,722) | **0** |
| Proceeds from sale of non-current assets | 27,544,695 | 41,516,964 |
| **Total sales** | **29,920,411** | **41,516,964** |
| Change in other non-current financial assets/liabilities | 905,653 | 7,819 |
| **Total B)** | **(51,249,581)** | **(90,089,577)** |
| **C) Cash flow from financing activities:** | | |
| Increase in non-current financial liabilities | 284,954,529 | 80,856,859 |
| Repayment of non-current financial liabilities | (269,393,794) | (193,341) |
| Change in current financial liabilities | 41,924,132 | (29,531,575) |
| Change in other financial assets | 769,823 | 40,866,822 |
| Adjustment of financial amounts due from investees | (25,761,505) | 0 |
| Payment replenishment losses in investees | (45,031,945) | (5,000,000) |
| Dividends paid | (40,434,367) | (33,440,789) |
| **Total C)** | **(52,973,127)** | **53,557,976** |
| **D) Cash flows for the period (A+B+C)** | **944,921** | **(467,263)** |
| **E) Cash and cash equivalents at beginning of period** | **478,967** | **946,229** |
| **Cash and cash equivalents at end of period (D+E)** | **1,423,888** | **478,966** |

# Contents

## Notes

## Notes

The separate financial statements of Italcementi S.p.A. as at and for the year ended December 31, 2012 were approved by the Board of Directors on March 5, 2013. At the meeting the Board authorized publication of a press release dated March 5, 2013 containing key information from the financial statements.

Italcementi S.p.A. is a legal entity established in accordance with the laws of the Republic of Italy. It has been listed on the Milan Stock Exchange since 1925, is included in the S&P/Mib index of leading Italian companies and is subject to management and coordination by Italmobiliare S.p.A., whose key data from the most recently approved financial statements are provided in an annex to the separate financial statements.
Italcementi S.p.A. and its subsidiaries form the "Italcementi Group", an international player whose main lines of business are hydraulic binders, ready mixed concrete and aggregates. The Group is also active in other areas, some of which are instrumental to its core businesses: materials for the construction industry, transport, energy, engineering and e-business.
The Italian laws that enact EEC Directive IV are also applied, where compatible, to the companies that draw up financial statements in accordance with the IFRS. Consequently the financial statements are compliant with the articles of the Italian Civil Code and the corresponding indications of the Consolidated Finance Act (TUF, *testo unico della finanza*) for listed companies with regard to the Directors' Report (art. 2428 Italian Civil Code), Audit (art. 2409-bis Italian Civil Code) and Publication of the Financial Statements (art. 2435 Italian Civil Code).
The separate financial statements and notes thereto also set out the details and additional disclosures required under arts. 2424, 2425 and 2427 of the Italian Civil Code and art. 27, paragraph 5 of Legislative Decree 127/1991, since such requirements are not in conflict with the IFRS.

At the end of June, as part of its production re-organization, Italcementi S.p.A. sold to third parties the Pontassieve cement plant business unit.
In December the deed for the merger of Cementificio di Montalto S.p.A. into Italcementi S.p.A. was drawn up. The merger took effect on December 31, 2012; consequently the operations of the merged company have been recorded in the financial statements of Italcementi S.p.A., also for accounting and tax purposes, starting from that date, without any retroactive effects.
The accounting effects of the sale and of the merger are disclosed in the notes to the financial statements.

The financial statements have been drawn up on a going-concern basis. Despite the difficult economic and financial situation, by virtue of the measures already in place to respond to the changes in demand, and its business and financial flexibility the company has no material uncertainties about its ability to continue as a going concern.

With the completion of the standardization of the chart of accounts among the Group companies, a number of reclassifications were necessary for an immaterial aggregate amount with respect to the figures in the consolidated financial statements at December 31, 2011; they related to trade payables and other current liabilities.

### 1. Accounting policies

### 1.1. Statement of compliance with the IFRS

These financial statements have been drawn up in compliance with the International Financial Reporting Standards (IFRS) and the interpretations (IFRIC) applicable at December 31, 2012 adopted by the EC Commission.

In compliance with European Regulation no. 1606 of July 19, 2002, the policies adopted do not include the standards and interpretations published by the IASB and the IFRIC through December 31, 2012 that had not been endorsed by the European Union at that date.
With respect to December 31, 2011, the amendment to IFRS 7 "Financial instruments: disclosures" relating to disclosures to be made on the transfer of financial assets came into force in 2012; it did not have a material impact.
At December 31, 2012, the European Union endorsed the following standards and interpretations, which have not yet come into force, for which early application has not been elected:

**Standards and interpretations to come into force in 2013**

- Amendments to IAS 1 "Presentation of financial statements" relating to the presentation of other comprehensive income.
- Amendments to IAS 19 "Employee benefits". The main changes refer to treatment of past service costs that have not vested and the actuarial gains/losses to be immediately recognized respectively in profit/loss for the period and in other comprehensive income (elimination of the corridor method), the adoption, for plan assets, of the discount rate used to determine the defined benefit liability.
- Amendments to IFRS 7 "Financial instruments: disclosures" regarding offsetting of financial assets and liabilities.
- Amendments to IFRS 1 "First-time adoption of IFRS" regarding severe hyperinflation and removal of fixed dates for first-time adopters.
- Amendments to IAS 12 "Income taxes" with regard to deferred tax and recovery of underlying assets.
- IFRS 13 "Fair value measurement". This new standard sets out guidelines to determine fair value and disclosures to be made.
- IFRIC 20 "Stripping costs in the production phase of a surface mine".

Adoption of the above-listed standards, amendments and interpretations is not expected to produce material impacts on the company financial statements, with the exception of IAS 19 "Employee benefits" revised, whose application, with the elimination of the corridor method, will result in a reduction in opening equity at January 1, 2013 estimated at approximately 7,098 thousand euro (approximately 5,589 thousand euro relating to financial year 2012 and approximately 1,509 thousand euro to previous years) due to recognition of the net actuarial losses existing at December 31, 2012.

**Standards and interpretations to come into force in 2014**

- Amendments to IAS 32 "Financial instruments: presentation" regarding offsetting of financial assets and liabilities.
- IFRS 10 "Consolidated financial statements". The new standard replaces IAS 27 "Consolidated and separate financial statements" and SIC 12 "Consolidation – Special-purpose entities.
- IFRS 11 "Joint arrangements". The new standard replaces IAS 31 "Interests in joint ventures" and SIC 13 "Jointly controlled entities – Non-monetary contributions by venturers"; it sets out the accounting standards for entities taking part in joint arrangements.
- IFRS 12 " Disclosure of interests in other entities" which organizes, strengthens and replaces disclosure requirements concerning interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- As a result of the introduction of the above standards, IAS 27 renamed "Separate financial statements", which deals exclusively with the preparation of separate financial statements, and the amendments to IAS 28 "Investments in associates and joint ventures" will come into effect.

The main effect arising from application of the above standards and amendments concerns identification of the type of joint arrangement, jointly controlled operation or joint venture, in order to establish the appropriate accounting treatment.

**Standards and interpretations published by the IASB and the IFRIC at December 31, 2012, but not endorsed by the European Union at that date**

- IFRS 9 “Financial instruments” and amendments thereto and to IFRS 7.
- “Government loans” (amendments to IFRS 1).
- Amendments to a number of IFRS issued in 2009-2011.
- “Transition guidance” (amendments to IFRS 10, 11 and 12).
- Investees (amendments to IFRS 10, 12 and IAS).

## 1.2. Accounting policies and basis of presentation

The company accounts adopt the cost principle, with the exception of derivatives and financial assets held for trading or for sale, which are stated at fair value. The carrying amounts of hedged assets and liabilities are adjusted to reflect changes in fair value on the basis of the hedged risks. The financial statements are presented in euro. All amounts in the accounting schedules and in the notes are rounded to thousands of euro, unless otherwise specified.
The basis of presentation of the financial statements is as follows:
current and non-current assets and current and non-current liabilities are presented as separate classifications on the face of the statement of financial position. Current assets, which include cash and cash equivalents, are assets that the company intends to realize, sell or consume during its normal business cycle; current liabilities are liabilities that the company expects to settle during the normal business cycle or in the twelve months after the end of the reporting period;
on the income statement, costs are analyzed by the nature of the expense;
on the statement of cash flow, the indirect method is used.

Given that the Italcementi Group applies IAS 34 “Interim financial reporting” to its half-year reports, with consequent identification of a six-month interim period, any reductions in value are recorded at closure of the half year.

## 1.3. Use of estimates

The preparation of the separate financial statements and the notes in conformity with the international financial reporting standards requires management to make estimates that affect the values of assets, liabilities, income and expense, such as amortization, depreciation and provisions, and the disclosures on contingent assets and liabilities in the notes. Since these estimates are determined on a going-concern basis, using the information available at the time, they could diverge from the actual future results. This is particularly evident in the present financial and economic crisis which could generate situations diverging from those estimated today and require currently unforeseeable adjustments, including adjustments of a material nature, to the carrying amounts of the items in question. Assumptions and estimates are particularly sensitive with regard to measurement of non-current assets, which depend on forecasts of future results and cash flows, provisions for disputes and restructurings and commitments in respect of pension plans and other long-term benefits. Management conducts regular reviews of assumptions and estimates, and immediately recognizes any adjustments in the financial statements.

## 1.4. General policies

### Subsidiaries and associates

Subsidiaries are companies in which the company has the power to determine, directly or indirectly, administrative and management decisions and to obtain the benefits thereof. Generally speaking, control is assumed to exist when the company holds, directly or indirectly, more than one half of voting rights, including potential voting rights deriving from convertible securities. Associates are companies in which the company has significant influence over administrative and management decisions even though it does not hold control. Generally speaking, significant influence is assumed to exist when the company holds, directly or indirectly, at least 20% of shareholder's agreements or, even if it holds a lower percentage of voting rights, when it is entitled to take part in financial and management policy decisions by virtue of a specific juridical status including, but not limited to, participation in voting trusts or other forms of material exercise of rights of governance

Investments in subsidiaries and associates are measured using the cost method, whereby they are initially recognized at cost and subsequently adjusted to reflect changes in amount whenever, after impairment testing, conditions are found such as to make it necessary to adjust the carrying amount to the effective amount of the investment. Original cost is restored in subsequent periods if the grounds for the adjustments no longer exist. Impairment losses and reversals are reflected in the income statement.

### Joint ventures

Joint ventures are companies whose business operations are controlled by the company jointly with one or more other parties, under contractual arrangements. Joint control presupposes that strategic, financial and management decisions are taken with the unanimous consent of the parties that control the venture.

Interests in joint ventures are measured on a cost basis and, as with investments in subsidiaries and associates, this amount is subject to periodic impairment testing.

They are included in investments in subsidiaries or associates as from the date on which joint control is assumed and until such control is relinquished.

### Non-current assets held for sale and discontinued operations

Assets and liabilities held for sale and discontinued operations are classified as such when their carrying amount is recovered chiefly through sale rather than through continuing use; such operations must be an important autonomous business operation or geographical area of operation.

The conditions indicated are deemed to exist when the sale is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.

Held-for-sale assets are recognized at the lower of carrying amount and fair value less costs to sell.

Once property, plant and equipment and intangible assets have been classified as held-for-sale, no further amortization and depreciation may be applied.

In the income statement, profit (loss) relating to discontinued operations, together with profit or loss from fair value measurement net of costs to sell and profit or loss arising from the sale of the operation, are reflected in a single item separately from profit (loss) relating to continuing operations.

Cash flows relating to discontinued operations are shown separately in the statement of cash flows.

A similar disclosure is also presented for the comparative period.

## 1.5. Business combinations

On first-time adoption of the IFRS, as allowed by IFRS 1, the company elected not to apply IFRS 3 retrospectively to business combinations that took place before 1 January 2004.

Until December 31, 2009, business combinations were accounted for with the purchase method in IFRS 3.

Since January 1, 2010, business combinations have been accounted for with the acquisition method in IFRS 3 revised.

### Cost of business combinations

Under IFRS 3 revised, acquisition cost is the sum of the acquisition-date fair value of the contingent consideration and the amount of any non-controlling interests in the acquired entity. For each business combination, any non-controlling interests in the acquired entity must be measured at fair value or in proportion to their interest in the identifiable net assets of the acquired entity.
IFRS 3 revised provides that costs relating to the acquisition be expensed in the periods in which they are incurred and the services are received.

### Allocation of the cost of business combinations

Goodwill is measured as the positive difference between:
the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquired entity, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity, with respect to
the net value of identifiable assets acquired and liabilities assumed at the acquisition date.
If the difference is negative, it is recognized in the income statement.
If on initial recognition the acquisition cost of a business combination can only be determined provisionally, the allocated amounts are adjusted within twelve months of the acquisition date (measurement period).

## 1.6. Translation of foreign currency items

### Foreign currency transactions

Foreign currency transactions are initially translated into the functional currency using the exchange rate at the transaction date. At the end of the reporting period, foreign currency monetary assets and liabilities are translated into the functional currency at the closing rate. Exchange rate gains and losses are taken to the income statement.
Non-monetary foreign currency assets and liabilities valued at cost are translated at the exchange rate ruling at the transaction date; those measured at fair value are translated with the exchange rate at the date fair value was determined.

## 1.7. Property, plant and equipment

### Recognition and measurement

Property, plant and equipment are recognized at cost, less accumulated depreciation and impairment losses. Cost includes the purchase or production cost and the directly attributable costs of bringing the asset to the location and the conditions required for its operation. Production cost includes the cost of materials and direct labor costs. Finance costs relating to the purchase, construction and production of qualifying assets are capitalized. The carrying amount of some assets existing at the IFRS first-time adoption date of January 1, 2004 reflects revaluations applied in prior years in connection with specific local laws, based on the real economic value of the assets in question. Assets acquired through business combinations are stated at fair value, determined on a provisional basis at the acquisition date and subsequently adjusted within the following twelve months.
Subsequent to initial recognition, property, plant and equipment are carried at cost and depreciated over the asset's useful life, less any impairment losses.
Assets under construction are recognized at cost; depreciation begins when the assets enter useful life.
When an asset consists of components with a significant cost and different useful lives, initial recognition and subsequent measurement are carried out separately for each component.

**Subsequent expense**

Repair and maintenance expense is normally recognized as incurred. Component replacement costs are treated as separate assets and the net carrying amount of the replaced component is expensed.

**Depreciation**

Depreciation is generally calculated on a straight-line basis over the estimated useful life of each component of an asset. Land is not depreciated, with the exception of land used for quarrying operations.
Asset useful life determines the depreciation rate until a subsequent review of residual useful life. The useful life range adopted for the various categories of assets is disclosed in the notes.

**Quarries**

Costs for the preparation and excavation of land to be quarried are amortized as the economic benefits of such costs are obtained.
Quarry land is depreciated at rates reflecting the quantities extracted in the year in relation to the estimated total to be extracted over the period in which the quarry is to be worked.
The company makes specific provision for quarry environmental restoration obligations. Since the financial resources required to settle such obligations are directly related to the degree of use, the charge cannot be defined at inception with a balancing entry to the asset cost, but is provided to reflect the degree of use of the quarry.

## 1.8. Leases

Finance leases, which substantially transfer to the company all risks and rewards incidental to ownership of the leased asset, are recognized from the lease inception date at the lower of the leased asset fair value or the present value of the lease payments. Lease payments are apportioned between finance costs and reductions against the residual liability so as to obtain a constant rate of interest on the outstanding liability.
The policies used for depreciation and subsequent measurement of leased assets are consistent with those used for the company's own property, plant and equipment.
Leases where all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.
Operating lease payments are recognized as expense on a straight-line basis over the lease term.

## 1.9. Investment property

Investment property is land and/or buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods and services. Investment property is initially recognized at purchase cost, including costs directly attributable to the purchase. Subsequent to initial recognition, investment property is measured at amortized cost, based on the asset's useful life less any impairment losses.

## 1.10. Goodwill

Goodwill recognized in accordance with IFRS 3 revised is allocated to the cash-generating units that are expected to benefit from the synergies created by the acquisition. Goodwill is stated at the original value less any impairment losses identified as a result of tests conducted on an annual basis or more frequently if indications of impairment emerge.
When goodwill is allocated to a cash-generating unit part of whose assets are disposed of, the goodwill associated with the sold assets is taken into account when determining the gain or loss arising from the transaction.

## 1.11. Intangible assets

Intangible assets purchased separately are capitalized at cost, while those acquired through business combinations are recognized at provisionally estimated fair value at the acquisition date and adjusted where necessary within the following twelve months.
Subsequent to initial recognition, intangible assets are carried at cost amortized over the asset's useful life. The company has not identified intangible assets with an indefinite useful life.

## 1.12. Impairment

Property, plant and equipment, investment property, goodwill and intangible assets are tested for impairment of indications of impairment emerge.
Assets represented by equity investments in companies recognized at cost are tested for impairment if indications of impairment emerge.
Impairment is the difference between the asset net carrying amount and its recoverable amount. Recoverable amount is the greater of fair value, less costs to sell, of an asset or cash-generating unit, and its value in use, determined as the present value of future cash flows.
Fair value less costs to sell is determined through application of relevant valuation models adopting appropriate income multipliers, quoted share prices on an active market for similar enterprises, comparable transactions on similar assets or other available fair value indicators applicable to the assets being measured.
In determining value in use, assets are measured at the level of cash-generating units on the basis of their operating attribution. Estimated future cash flows are discounted at a rate determined for each cash-generating unit using the weighted average cost of capital method (WACC).
If an impairment loss on an asset other than goodwill subsequently reverses in full or in part, the asset carrying amount is increased to reflect the new estimated recoverable amount, which may not exceed the amount that would have been reflected in the absence of the impairment loss. Impairment losses and reversals of impairment losses are taken to the income statement.

## 1.13. Financial assets

All financial assets are recognized initially at cost at the trade date. Cost corresponds to fair value plus additional costs attributable to the purchase.
Subsequent to initial recognition, assets held for trading are classified as current financial assets and carried at fair value; any gains or losses are taken to the income statement.
Held-to-maturity investments are classified as current financial assets, if they mature within one year; otherwise they are classified as non-current assets and subsequently carried at amortized cost. Amortized cost is determined using the effective interest rate method, taking account of any acquisition discounts or premiums, which are apportioned over the entire period until maturity, less any impairment losses.
Other financial assets are classified as available for sale and measured at fair value. Any gains or losses are shown in a separate equity item until the assets are sold, recovered or discontinued, or until they are found to be impaired, in which case the cumulative gains or losses in equity are taken to the income statement. Equity instruments that are not listed on an active market and whose fair value cannot be measured reliably are carried at cost.

## 1.14. Inventories

Inventories are measured at the lower of purchase/production cost (using the weighted average cost method) and net realizable value.
Purchase cost includes costs incurred to bring assets to their present location, less allowances for obsolete and slow-moving items.

Production cost of finished goods and semi-finished goods includes the cost of raw materials, direct labor and a portion of general production costs, determined on the basis of normal plant operations. Financial costs are not included.
The net realizable value of raw materials, consumables and supplies is their replacement cost.
The net realizable value of finished goods and semi-finished goods is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs to sell.

### 1.15. Trade receivables and other receivables

Trade receivables and other receivables are stated at their nominal value, less allowances for impairment, which are provided as doubtful debts are identified.

### 1.16. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank demand deposits and other cash investments with original maturity of not more than three months
Current account overdrafts are treated as financing and not as a component of cash and cash equivalents.
The definition of cash and cash equivalents in the statement of cash flows is identical to that in the statement of financial position.

### 1.17. Income taxes

Current income taxes are provided in accordance with local tax laws. Deferred tax is recognized using the liability criterion, based on temporary differences between the tax base of assets and liabilities and their carrying amount in the statement of financial position.
Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable income will be available against which such differences, losses or credits may be reversed.
Taxable or deductible temporary differences do not generate recognition of deferred tax liabilities or assets only in the following cases:

- taxable temporary differences arising from the initial recognition of goodwill, unless goodwill is tax-deductible;
- taxable or deductible temporary differences arising from initial recognition of an asset or a liability in transactions that are not business combinations and affect neither accounting profit nor taxable profit at the transaction date;
- equity investments in subsidiaries, associates and joint ventures when:
  a) it is possible to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not reverse in the foreseeable future;
  b) it is not probable that the deductible temporary differences will reverse in the foreseeable future and that taxable income will be available against which the temporary difference can be used;
- deferred tax assets are reviewed at the end of every reporting period and reduced to the extent that sufficient taxable income is no longer likely to be available in the future against which the assets can be used in full or in part.

Deferred tax assets and liabilities are determined at tax rates expected to apply when the deferred tax asset (liability) is realized (settled), based on rates that have been enacted or substantially enacted at the end of the reporting period.
Taxes relating to items recognized directly in equity are recognized in equity, not in the income statement.
Deferred tax assets and deferred tax liabilities are not discounted to present value.

## 1.18. Employee benefits

The company operates pension plans, post-employment medical benefit plans and post-employment benefits. It also has other commitments, in the form of bonuses payable to employees on the basis of length of service in the company ("Other long-term benefits").

**Defined contribution plans**

Defined contribution plans are structured post-employment benefit programs where the company pays fixed contributions to an insurance company or pension fund and will have no legal or constructive obligation to pay further contributions if the fund does not dispose of sufficient assets to pay all the employee benefits accruing in respect of services rendered during the current year and in previous years.
These contributions are paid in exchange for the services rendered by employees and recognized as expense as incurred.

**Defined benefit plans**

Defined benefit plans are structured post-employment benefit programs that constitute a future obligation for the company. In substance, the company assumes the actuarial and investment risks of the plan. In accordance with IAS 19, the company uses the unit credit projection method to determine the present value of obligations and the related current service cost.
This actuarial calculation requires use of consistent and objective actuarial assumptions about demographic variables (mortality rate, personnel turnover rate) and financial variables (discount rate, future increases in salaries and medical benefits).
The post-employment benefits in Italy (TFR, *trattamento di fine rapporto*) are treated in the same way as benefit obligations arising from defined benefit plans.

**Termination benefits**

Termination benefits include provisions for restructuring costs recognized when the company has approved a detailed formal plan that has already been implemented or notified to the third parties concerned.

**Actuarial gains and losses**

Actuarial gains and losses on post-employment defined benefit plans may arise as a result of changes in the actuarial assumptions used in two consecutive periods or as a result of changes in the obligation value or in the fair value of any plan asset in respect of the actuarial assumptions used at the beginning of the period.
The company uses the corridor method whereby actuarial gains and losses are recognized as income or expense when their unrecognized cumulative net value, for each plan, at the end of the previous period exceeds 10% of the greater of the defined benefit obligation or the fair value of plan assets at that date. These gains or losses are taken to profit or loss over the estimated average residual working life of the employees participating in the plans.
Actuarial gains and losses relating to "Other long-term benefits" (service medals, length of service benefits) and to early retirement benefits are recognized as income or expense immediately.

**Past service cost**

Changes in liabilities resulting from a change to an existing defined benefit plan are recognized as expense on a straight-line basis over an average period until the benefits have vested. Costs for benefits that vest immediately upon changes to a plan are recognized as expense as incurred.

**Curtailment and settlement**

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized as income or expense when the curtailment or settlement occurs. The gain or loss includes changes in the present value of the obligation, changes in the fair value of plan assets, actuarial gains or losses and past service costs not previously accounted for.

At the curtailment or settlement date, the obligation and the fair value of the plan assets are re-measured using current actuarial assumptions.

## 1.19. Share-based payments

The company has applied IFRS 2 as from January 1, 2004.
Options for the subscription and purchase of shares granted by the company to employees and directors give rise to recognition of a cost classified under personnel expenses, with a corresponding increase in equity.
In accordance with IFRS 2, only options granted after November 7, 2002, whose rights had not vested at December 31, 2003, have been measured and recognized at the transition date. Options for the subscription and purchase of shares are measured at fair value at the grant date and amortized over the vesting period. Fair value is determined using the binomial method, and taking account of dividends. Future volatility is determined on the basis of historic market prices, after adjustment for extraordinary events or factors.
The cost of granted options is reviewed on the basis of the actual number of options that have vested at the beginning of the exercise period.

## 1.20. Provisions for risks and charges

The company recognizes provisions for risks and charges when a present legal or constructive obligation arises as a result of a past event, the amount of which can be reliably estimated, and use of resources is probable to settle the obligation. Provisions reflect the best estimate of the amount required to settle the obligation or transfer it to third parties at the end of the reporting period. If the present value of the financial resources that will be used is material, provisions are determined by discounting expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is performed, movements in provisions due to the effect of time or changes in interest rates are recognized in financial items.
Changes in estimates are recognized in the income statement for the period.
The company recognizes a separate provision for environmental restoration obligations on land used for quarry work, determined in relation to the use of the quarry in question.
Pending publication of a standard/interpretation on accounting treatment of greenhouse gas emission allowances, after the withdrawal of IFRIC 3 by the International Accounting Standards Board, the company recognizes a separate provision when emissions are greater than the allowance.

## 1.21. Loans and borrowings

Loans and borrowings are initially recognized at the fair value of the consideration paid/received less charges directly attributable to the financial asset/liability.
After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate method.

## 1.22. Trade payables and other payables

Trade payables and other payables are stated at the fair value of the original consideration received.

## 1.23. Derivatives

The company uses derivatives such as foreign currency forward contracts, swaps and options to hedge currency and interest-rate risks. Derivatives are measured and recognized at fair value.
The fair value of foreign currency forward contracts is determined on the basis of the current forward exchange rates for contracts with similar maturity profiles.
The fair value of interest-rate contracts is determined on the basis of discounted flows using the zero coupon curve.

**Hedging transactions**

Derivatives are designated as hedging instruments or as non-hedging instruments. Transactions that qualify for application of hedge accounting are classified as hedging transactions; other transactions are designated as trading transactions, even if they are performed for the purposes of risk management.
For accounting purposes, hedging transactions are classified as “fair value hedges” if they cover the risk of changes in the fair value of the underlying asset or liability; or as "cash flow hedges” if they hedge cash flows arising from an existing asset or liability or from a future transaction, which are exposed to variability.
With regard to fair value hedges, fair value gains and losses on the derivatives are taken to the income statement immediately. Similarly, the underlying assets or liabilities are measured at fair value and any gain or loss attributable to the hedged risk is recognized as an income or expense balancing entry.
If the movement refers to an interest-bearing financial instrument, it is amortized in the income statement until maturity.
With regard to cash flow hedges (foreign currency forward contracts, fixed-rate interest swaps), the effective component of a change in the fair value of the hedging instrument is reflected in a separate equity item, while time-based changes and the non-effective hedge component are recognized in the income statement. The effective component and non-effective component are calculated using the methods indicated in IAS 39.
Gains or losses arising from changes in the fair value of derivatives designated for trading are recorded as income or expense.
When the financial instrument matures, is sold, settled, exercised or no longer qualifies for hedge accounting, the derivative is no longer treated as a hedging contract. In this case, gains or losses on the derivative are retained in equity until the hedged transaction takes place. If the company no longer expects the hedged transaction to take place, the net gain or loss in equity is taken to the income statement.

## 1.24. Revenue, other revenue, interest income and dividends

**Sale of goods and services**

Revenue is recognized to the extent that it is probable that the economic benefits associated with the sale of goods or rendering of services are collected by the company and the amount in question can be reliably determined.
Revenue is recognized at the fair value of the consideration received or due, taking account of any trade discounts given and volume discounts.
Revenues from the sale of goods is recognized when the company transfers the material risks and rewards incidental to ownership of the goods to the purchaser.

**Rental income**

Rental income is recognized as other revenue, as received.

**Interest income**

Interest income is classified as finance income on an accruals basis using the effective interest method.

**Dividends**

Dividends are recognized as finance income as shareholders' right to receive payment arises.

## 1.25. Government grants

Government grants are recognized when there is a reasonable certainty that they will be received and all the requirements on which receipt depends have been fulfilled.
Grants related to the purchase or production of non-current assets (grants related to assets) are recognized as deferred income and taken to the income statement over the useful life of the underlying assets.

# Assets

## Non-current assets

## 2. Property, plant and equipment

| (in thousands of euro) | Land and buildings | Quarries | Technical plant materials and equipment | Other property, plant and equipment | Total |
|---|---|---|---|---|---|
| **Net carrying amount at Dec. 31, 2011** | **119,481** | **29,865** | **312,053** | **120,628** | **582,027** |
| Gross amount | 501,732 | 58,823 | 2,012,661 | 175,602 | 2,748,818 |
| Accumulated depreciation | ( 382,251) | ( 28,958) | ( 1,700,608) | ( 54,974) | ( 2,166,791) |
| **Net carrying amount at Dec. 31, 2011** | **119,481** | **29,865** | **312,053** | **120,628** | **582,027** |
| Additions | 41,907 | 263 | 46,299 | ( 38,665) | 49,804 |
| Disposals | ( 206) | ( 86) | ( 229) | ( 2,909) | ( 3,430) |
| Depreciation | ( 9,537) | ( 595) | ( 58,012) | ( 3,128) | ( 71,272) |
| Impairment losses | - | - | ( 27,373) | - | ( 27,373) |
| Reversal of impairment losses and reclassifications | ( 6,310) | ( 397) | ( 678) | - | ( 7,385) |
| Sale of business unit | - | - | ( 2,281) | ( 77) | ( 2,358) |
| Merger contribution | 23,357 | - | 20,264 | 220 | 43,841 |
| **Net carrying amount at Dec. 31, 2012** | **168,692** | **29,050** | **290,043** | **76,069** | **563,854** |
| Gross amount | 530,334 | 57,435 | 2,079,397 | 133,502 | 2,800,668 |
| Accumulated depreciation | ( 361,642) | ( 28,385) | ( 1,788,676) | ( 57,433) | ( 2,236,136) |
| **Net carrying amount at Dec. 31, 2012** | **168,692** | **29,050** | **290,721** | **76,069** | **564,532** |

The additions made during the year refer to the completion of the research and innovation center at the *Kilometro Rosso* science park, the completion of the Matera cement plant revamp and the start of work to revamp the cement plant at Rezzato, and the normal renovation of industrial plant.

On June 30, 2012 the sale of the Pontassieve business unit (Florence) was completed, for which a gain of 13,226 thousand euro was recognized.

During the year impairment losses on plant of 27,373 thousand euro was recognized in relation to the transformation into grinding centers of the Vibo Valentia and Porto Empedocle cement plants, and to the plan to stop clinker production at the Trieste, Monselice and Broni plants.

Non-current assets held under finance leases or rental contracts, which come under the IFRS definition of leases, were carried at 11,985 thousand euro (14,372 thousand euro at December 31, 2011) and concerned buildings (628 thousand euro), plant and machinery (11,336 thousand euro) and motor vehicles (21 thousand euro).

The useful life adopted by the company for the main asset categories is as follows:

| | |
|---|---|
| Civil and industrial buildings | 10 – 33 years |
| Plant and machinery | 5 – 30 years |
| Other property, plant and equipment | 5 – 10 years |

## 2.1 Investment property

Investment property of 18,833 thousand euro (12,875 thousand euro at December 31, 2011) is carried at amortized cost.

| (in thousands of euro) | Investment property |
|---|---|
| **Net carrying amount at December 31, 2011** | **12,875** |
| Gross amount | 34,780 |
| Accumulated depreciation | ( 21,905) |
| **Net carrying amount at December 31, 2011** | **12,875** |
| Additions | 83 |
| Disposals | ( 339) |
| Depreciation | ( 493) |
| Reclassifications | 6,707 |
| **Net carrying amount at December 31, 2012** | **18,833** |
| Gross amount | 76,140 |
| Accumulated depreciation | ( 57,307) |
| **Net carrying amount at December 31, 2012** | **18,833** |

Depreciation exclusively concerned civil and industrial buildings and is calculated on the basis of the respective useful lives adopted by the company: civil buildings 33 years, industrial buildings 18 years.

The reclassifications related to a number of sold sites and the Pontassieve industrial area with buildings held under a lease.

The fair value of these investments at December 31, 2012 was 96.1 million euro.

## 3. Goodwill

This totaled 25,170 thousand euro and arose from the merger of Cementificio di Montalto S.p.A.

The goodwill acquired in a business combination is allocated to the cash-generating units (CGU). Goodwill recoverability is tested at least once a year or more frequently if indications of impairment emerge. The methods used to determine the recoverable amount of the CGUs are described in the accounting policies in the section “Impairment of assets” (note 1.12).

The recovery slowdown that was apparent in 2011 intensified in 2012, especially in the construction industry; consequently, while the measures contemplated in the 2010-2014 Business Plan remain valid, a number of macroeconomic and sector assumptions in the Plan have been revised. For the purposes of impairment testing, determination of the future cash flows to be used was based on the 2013 Budget and, where necessary, for subsequent-year projections, on new assumptions and economic assessments deemed to reflect the new market conditions.

As in 2011 an explicit forecast period of 9 years was used; in this way we believe that projected cement consumption is structurally balanced and aligned with the related long-term estimate implicit in the cement structural demand curve for Italy.

The terminal value is generally estimated on the basis of the activity of the CGU in its mid-cycle market and takes account of the market cycle and changes after the explicit forecast period. Account is also taken of the presumed expected level of cement consumption in 10-15 years, and also of a number of positioning indicators: the level of market development, per-capita consumption and technical coefficients.

The projections are management’s best estimate of future trends and possible economic conditions.

Recoverable amount coincides with value in use.

The discount factor is obtained by applying the estimated long-term inflation rate to the weighted average cost of capital (WACC). WACC is computed on the basis of the market value of capital and of sector debt, to which the mean sector coefficient based on the debt/stock market capitalization ratio is applied.

Assumptions used for calculation of the CGU:

| (in %) | Pre-tax discount rate | | Growth rate including inflation | |
|---|---|---|---|---|
| **Cash-generating units** | **2012** | **2011** | **2012** | **2011** |
| Italy | 8.8 | 8.9 | 2.0 | 2.0 |

The test for 2012 did not require a reduction in the goodwill of the CGU.

## Sensitivity analysis

With reference to the current and expected industry situation and to the results of the 2012 impairment tests, a sensitivity analysis was conducted on recoverable amount, using the discounted cash flow method.

At December 31, 2012 a 1% increment in the weighted average cost of capital would not determine a surplus difference in carrying amount with respect to recoverable amount for the CGU.

A 5% reduction in demand in the explicit forecast period with respect to the projections would not determine a surplus difference in carrying amount with respect to recoverable amount for the CGU.

A 5% reduction in EBITDA with respect to projections would not determine a surplus difference in carrying amount with respect to recoverable amount for the CGU.

On the basis of the above analysis the company believes that it is not necessary to make any reduction in goodwill.

The discount rate that equates the CGU’s recoverable amount with net carrying amount is 10.1%.

## 4. Intangible assets

| (in thousands of euro) | Concessions | Patents, brands, licenses and other rights | Software development expenses | Total |
|---|---|---|---|---|
| **Net carrying amount at December 31, 2011** | **942** | **3,985** | **23,666** | **28,593** |
| Gross amount | 1,459 | 8,385 | 28,922 | 38,766 |
| Accumulated amortization | ( 517) | ( 4,400) | ( 5,256) | ( 10,173) |
| **Net carrying amount at December 31, 2011** | **942** | **3,985** | **23,666** | **28,593** |
| Additions | - | 1,391 | 8,886 | 10,277 |
| Disposals | - | ( 186) | - | ( 186) |
| Amortization | ( 90) | ( 987) | ( 3,041) | ( 4,118) |
| Impairment losses | - | ( 809) | - | ( 809) |
| Reclassifications | - | ( 399) | 409 | 10 |
| Merger contribution | - | 1 | - | 1 |
| **Net carrying amount at December 31, 2012** | **852** | **2,996** | **29,920** | **33,768** |
| Gross amount | 1,459 | 8,717 | 38,380 | 48,556 |
| Accumulated amortization | ( 607) | ( 5,721) | ( 8,460) | ( 14,788) |
| **Net carrying amount at December 31, 2012** | **852** | **2,996** | **29,920** | **33,768** |

The year's additions mainly concerned project development work for the standardization of internal Group processes.

The amortization period for "Concessions" is based on the length of the agreements signed.

Software licenses of indeterminate life and the related development costs are amortized over a five-year period.

Impairment losses refer to $CO_2$ emission rights held at year-end for 650 thousand euro and was applied on the basis of market price.

## 5. Investments in subsidiaries and associates

The changes compared to December 31, 2011 were as follows:

| (in thousands of euro) | |
|---|---|
| **At December 31, 2011** | **1,721,667** |
| Acquisitions | 46,127 |
| Repayments | ( 450) |
| Sales | ( 10,383) |
| Acquisitions from merger contribution | 84 |
| Merger eliminations | ( 44,325) |
| Impairment on financial assets | ( 115,595) |
| **At December 31, 2012** | **1,597,125** |

Acquisitions refer to the payment to cover losses at Nuova Sacelit S.p.A., Calcementi Jonici S.r.l. and Cementificio di Montalto S.p.A., of respectively 6,000 thousand euro, 5,499 thousand euro and 3,996 thousand euro, the purchase from Silos Granari della Sicilia S.r.l. of shares in Intercom S.r.l., arising from the share capital increase made against conferment of the terminal at La Spezia, for 885 thousand euro, the payment to set up Bravobloc S.r.l. for 210 thousand euro, as well as the payment to Calcestruzzi S.p.A. to reintegrate the share capital and form an extraordinary reserve for an overall amount of 29,537 thousand euro.

Repayments refer to the partial return of the share capital by Sirio S.p.A.

Sales refer to the sale of the Silos Granari della Sicilia S.r.l. investment at a sale price of 18,311 thousand euro, for which a net gain of 7,928 thousand euro was posted under finance income.

At December 31, 2012 the merger of Cementificio di Montalto S.p.A. into Italcementi S.p.A. took place; for accounting and tax purposes, the transaction did not have a retroactive effect and the carrying amount of the equity investment was written off against equity, generating recognition of a 45,621 thousand euro deficit.

Investments in subsidiaries and associates are tested for impairment if evidence of impairment emerges, by comparing carrying amount with recoverable amount. The methods used to determine recoverable amount are described in the accounting policies in the section “Impairment”.

The value configuration used to determine the recoverable amount of equity investments is value in use, that is, fair value less costs to sell, with reference to comparable transactions.

The value in use of each equity investment is determined on the basis of 2013 budget data and on the discounted projection of expected future cash flows, taking account of changes in operating assets, net of the effects of investments for additions or restructuring. The observation period varies between five to nine years according to the characteristics of the markets on which the Group companies operate. The terminal value is calculated on the basis of the discounted cash flows for the last year. The growth rate is based on the forecast long-term growth of the relevant industrial sector of the country and on the estimated long-term inflation rate. The estimate assumes a growth rate, for operations in Italy, equivalent to the long-term inflation rate (2%). The pre-tax discount rate used to calculate the present value of expected cash flows for operations in Italy is 8.8%.

The aforementioned discount and growth rates are supported by previous experience and are in line with those in use in the sector.

Impairment testing highlighted the need to impair the investments in Calcementi Jonici S.p.A. for 9,772 thousand euro, Nuova Sacelit S.p.A. for 10,344 thousand euro and Calcestruzzi S.p.A. for 94,172 thousand euro; in addition, impairment losses were recorded on the investments in Azienda Agricola Lodoletta S.r.l. for 104 thousand euro and Sirio S.p.A. for 1,203 thousand euro on the basis of estimated value in use.

The list of investments in subsidiaries and associates at December 31, 2012 is as follows:

| (in thousands of euro) | Location | Share/quota capital | % held | Carrying amount at 12.31.2012 |
|---|---|---|---|---|
| Aliserio S.r.l. | Bergamo | € 2,270,000 | 90.00 | 1,938 |
| Azienda Agricola Lodoletta S.r.l. | Bergamo | € 10,400 | 75.00 | 2,773 |
| Bravobloc S.r.l. | Bergamo | € 300,000 | 70.00 | 210 |
| BravoSolution S.p.A. | Bergamo | € 32,286,398 | 75.34 | 43,590 |
| CTG S.p.A. | Bergamo | € 500,000 | 50.00 | 250 |
| Calcementi Jonici S.r.l. | Siderno (RC) | € 3,513,741 | 99.90 | 1,815 |
| Calcestruzzi S.p.A. | Bergamo | € 40,000,000 | 99.90 | - |
| Ciments Français S.A. | Puteaux | € 143,192,544 | 83.16 | 1,467,397 |
| Gruppo Italsfusi S.r.l. | Savignano sul Panaro (MO) | € 156,000 | 99.50 | 277 |
| Intercom S.r.l | Bergamo | € 2,890,000 | 4.84 | 885 |
| Italcementi Finance S.A. (formerly Holfipar) | Puteaux | € 20,000,000 | 100.00 | 20,005 |
| Italcementi Ingegneria S.r.l. | Bergamo | € 650,000 | 100.00 | 9,459 |
| Italgen S.p.A. | Bergamo | € 20,000,000 | 99.90 | 20,111 |
| Italterminali S.r.l. | Bergamo | € 10,000 | 99.50 | 84 |
| Nuova Sacelit S.r.l. | Bergamo | € 7,500,000 | 100.00 | - |
| SAMA S.r.l. | Bergamo | € 1,000,000 | 99.00 | 1,867 |
| Sociètè Internationale Italcementi (Luxembourg) S.A. | Luxembourg | € 1,771,500 | 99.87 | 13,897 |
| Shqiperia Cement Company | Tirana | ALL 74,250,000 | 100.00 | 602 |
| Star.Co. S.r.l. | Bergamo | € 118,000 | 100.00 | 2,751 |
| International City for Ready Mix | Arabia | SAR 100,000,000 | 50.00 | 1,792 |
| Cementi della Lucania S.p.A. | Potenza | € 619,746 | 30.00 | 4,149 |
| Consorzio Medeuropa | Milan | - | 20.00 | 3 |
| Les Ciments de Zouarine S.A. | Tunis | TND 80,000 | 49.93 | 23 |
| Sirio S.p.A. - Associazione in Partecipazione | Milan | - | - | 3,247 |
| **Total** | | | | **1,597,125** |

The following additional information is provided for the investment in the associate Cementi della Lucania S.p.A.:

| (in thousands of euro) | Total assets | Total liabilities | Revenue | Profit (loss) for the period |
|---|---|---|---|---|
| Cementi della Lucania S.p.A. (1) | 12,899 | 5,969 | 9,626 | ( 700) |

(1) data taken from financial statements at 31 December 2011

## 5.1 Other equity investments

This non-current asset caption reflects equity investments in the "available-for-sale" category as required by IAS 39.

| (in thousands of euro) | |
|---|---|
| **At December 31, 2011** | **5,731** |
| Sales | ( 1) |
| **At December 31, 2012** | **5,730** |

"Sales" refer to the liquidation of the equity investment in AiceReti S.c.a.r.l.

The breakdown of other equity investments at December 31, 2012 was as follows:

| (in thousands of euro) | |
|---|---|
| **Equity investments in non-listed companies:** | |
| Istituto Europeo di Oncologia S.p.A. | 3,686 |
| S.A.C.B.O. S.p.A. | 2,029 |
| Other equity investments | 15 |
| **Total** | **5,730** |
| **Total equity investments** | **5,730** |

## 6. Other non-current assets

| (in thousands of euro) | 12.31.2011 | Change | Merger contribution | 12.31.2012 |
|---|---|---|---|---|
| Guarantee deposits | 569 | 8 | 14 | 591 |
| Receivables for expropriations | 3,390 | ( 176) | - | 3,214 |
| Italcementi Finance S.A. bonds | 8,551 | 1,333 | - | 9,884 |
| Receivables from sale of business unit | - | 1,294 | - | 1,294 |
| Receivables from sale of assets | - | 4,014 | - | 4,014 |
| Commodity derivatives | 15,404 | ( 15,404) | - | - |
| Financial receivables due from Group companies | 100,000 | - | - | 100,000 |
| Receivables due from parent in connection with tax consolidation | 72,794 | ( 5,282) | 4,482 | 71,994 |
| **Total** | **200,708** | **( 14,213)** | **4,496** | **190,991** |

In January 2012 additional Italcementi Finance S.A. bonds were bought for a par value of 1 million euro; the carrying amount of 9,884 thousand euro was determined in accordance with the amortized cost criterion.

The financial receivable of 100,000 thousand euro refers to an interest-bearing loan granted to the subsidiary Ciments Français S.A.

After checks on the recoverability of recognized tax receivables, which show limited estimated taxable income in the medium term, it was decided not to recognize the benefit from adhesion to the tax consolidation of the parent Italmobiliare S.p.A. of 10,135 thousand euro, relating to tax losses for the year.

## Current assets

## 7. Inventories

| (in thousands of euro) | 12.31.2011 | Change | Sale of business unit | Merger contribution | 12.31.2012 |
|---|---|---|---|---|---|
| Raw materials, consumables and supplies | 69,713 | ( 7,069) | ( 941) | 243 | 61,946 |
| Work in progress and semi-finished goods | 22,626 | 8,885 | ( 21) | 1,169 | 32,659 |
| Finished goods | 16,254 | 2,423 | ( 301) | 324 | 18,700 |
| **Total** | **108,593** | **4,239** | **( 1,263)** | **1,736** | **113,305** |

Inventories of raw materials, consumables and supplies are shown net of the allowance of 9,386 thousand euro (9,086 thousand euro at December 31, 2011), provided against the risk of slow-moving supplies, spare parts and consumables; they include spare parts for an amount of 21,728 thousand euro at December 31, 2012 (24,751 thousand euro at December 31, 2011).

## 8. Trade receivables

| (in thousands of euro) | 12.31.2011 | Change | Merger contribution/eliminations | 12.31.2012 |
|---|---|---|---|---|
| From customers | 207,163 | ( 29,191) | 241 | 178,213 |
| From Group companies | 82,894 | ( 25,324) | ( 355) | 57,215 |
| Allowance for impairment | ( 13,058) | ( 1,416) | ( 156) | ( 14,630) |
| **Net amount** | **276,999** | **( 55,931)** | **( 270)** | **220,798** |

The decrease in receivables due from customers is related to the trend in sales during 2012.

For an analysis of "Receivables due from Group companies", reference should be made to the section on transactions with related parties.

The net change in the allowance for impairment was the result of the difference between the year's allowance of 7,260 thousand euro and applications of 5,844 thousand euro.

## 9. Other current assets

| (in thousands of euro) | 12.31.2011 | Change | Merger contribution | 12.31.2012 |
|---|---|---|---|---|
| Amounts due from social security authorities | 1,253 | ( 270) | 25 | 1,008 |
| Amounts due from tax authorities for VAT | 866 | 1,517 | 142 | 2,525 |
| Receivables for grants related to assets | 116 | - | - | 116 |
| Receivables for expropriations | 586 | ( 586) | - | - |
| Other receivables | 32,814 | 13,354 | 88 | 46,256 |
| Derivatives | 1,537 | ( 1,509) | - | 28 |
| Commodity derivatives | 31,412 | ( 9,481) | - | 21,931 |
| Prepayments and accrued income | 5,986 | 318 | - | 6,304 |
| **Total** | **74,570** | **3,343** | **255** | **78,168** |

Receivables for expropriations were reclassified under other non-current assets.

Other receivables include the amounts recognized, net of sales and of impairment, for the allocation of white certificates (1,194 thousand euro) and the current amount of the receivable accrued at December 31, 2012 for "new entry" $CO_2$ quotas recognized for the period 2008-2012 (25,984 thousand euro).

Prepayments and accrued income include an amount of 5,072 thousand euro (4,618 thousand euro at December 31, 2011) relating to fees paid for the opening of lines of credit, recognized in the income statement under finance costs in relation to the duration of the lines of credit granted.

## 10. Tax assets and liabilities

Tax assets were as follows:

| (in thousands of euro) | 12.31.2011 | Change | Merger contribution | 12.31.2012 |
|---|---|---|---|---|
| Tax receivable for prior-year taxes | 431 | ( 68) | - | 363 |
| Tax credit for "dividend imputation" | 583 | - | - | 583 |
| Tax receivables for IRAP payments on account and surpluses to be recovered | 5,511 | ( 2,330) | 127 | 3,308 |
| Payable for IRAP on income in the year | ( 1,729) | 386 | - | ( 1,343) |
| **Total** | **4,796** | **( 2,012)** | **127** | **2,911** |

The residual tax credit for “dividend imputation” referred to interest on the tax credit recognized by the sentence for dividends relating to financial year 2004.

## 11. Equity investments, bonds and financial assets

| (in thousands of euro) | 12.31.2011 | Change | Merger eliminations | 12.31.2012 |
|---|---|---|---|---|
| Equity investments in other companies | 288 | ( 20) | - | 268 |
| Financial receivables due from Group companies | 371,671 | 26,975 | ( 76,473) | 322,173 |
| Impairment losses on financial receivables due from Group companies | - | ( 25,762) | - | ( 25,762) |
| "Bravosolution 2007-2012" convertible bonds | 3,799 | ( 3,799) | | - |
| Accrued interest | - | 29 | | 29 |
| **Total** | **375,758** | **( 2,577)** | **( 76,473)** | **296,708** |

Financial receivables due from Group companies consist of current accounts, regulated at normal market rates, which represent the financial support provided in relation to operating requirements.

The impairment losses refer to the subsidiaries Calcestruzzi S.p.A. for 18,842 thousand euro and Nuova Sacelit S.p.A. for 6,920 thousand euro and was made within the limits of the amount of net deficit recorded by the investees.

The “Bravosolution 2007-2012” bonds were repaid in full at the end of December.

## 12. Cash and cash equivalents

| (in thousands of euro) | 12.31.2012 | 12.31.2011 | Change |
|---|---|---|---|
| Bank and postal accounts | 1,160 | 166 | 994 |
| Checks | 165 | 174 | ( 9) |
| Cash | 99 | 139 | ( 40) |
| **Total** | **1,424** | **479** | **945** |

# Equity

## 13. Share capital

At December 31, 2012 the fully paid-in share capital totaled 282,548,942 euro, represented by 282,548,942 shares with a par value of 1 euro each, as follows:

| Number of shares | 12.31.2012 | 12.31.2011 | Change |
|---|---|---|---|
| Ordinary shares | 177,117,564 | 177,117,564 | - |
| Savings shares | 105,431,378 | 105,431,378 | - |
| **Total** | **282,548,942** | **282,548,942** | **-** |

## 14. Reserves

Reserves reflect movements in the share premium, the fair value adjustment of available-for-sale financial assets and interest-rate and currency hedges, and the valuation of stock options.

The stock option reserve reflects the total amount at December 31, 2012 of the options granted and amortized over the vesting period of the stock option plans.

The movements in reserves were as follows:

| | | Reserves | | |
|---|---|---|---|---|
| (in thousands of euro) | Share premium | Hedging reserve | Stock option reserve | Total reserves |
| **At December 31, 2011** | **344,104** | ( 5,010) | 23,009 | **17,999** |
| Gains (losses) taken directly to reserve | - | ( 22,045) | - | **( 22,045)** |
| Tax taken directly to reserve | - | - | - | **-** |
| (Gains) losses taken to income statement | - | 2,506 | - | **2,506** |
| **At December 31, 2012** | **344,104** | ( 24,549) | 23,009 | **( 1,540)** |

## 15. Treasury shares

At December 31, 2012 the carrying amount of purchased treasury shares totaled 58,690 thousand euro and was charged to the reserve for treasury shares as shown below:

| | No. ordinary shares par value € 1 | Total carrying amount (000 euro) | No. savings shares par value € 1 | Total carrying amount (000 euro) | Overall carrying amount (000 euro) |
|---|---|---|---|---|---|
| **December 31, 2011** | 3,793,029 | **58,342** | 105,500 | **348** | **58,690** |
| **December 31, 2012** | **3,793,029** | **58,342** | **105,500** | **348** | **58,690** |

Ordinary treasury shares in portfolio at December 31, 2012 were held to service stock option plans for directors and managers.

## 16. Analysis of equity captions

The table below sets out an analysis of equity items in relation to their origin, possibility of use and possible distribution:

| (in thousands of euro) | | | | | Summary of uses made in last three years | |
|---|---|---|---|---|---|---|
| **Nature / description** | | **Amount** | **Possibility of use** | **Availalble amount** | **Coverage of losses** | **For other reasons** |
| **Share capital** | | **282,549** | | | | |
| **Share premium** | | **344,104** | A, B, C | 344,104 | | |
| Reserves: | | | | | | |
| | Stock option reserve | 23,009 | - | - | | |
| | Hedging reserve | ( 24,549) | - | - | | |
| | **Total reserves** | **( 1,540)** | | | | |
| **Treasury shares** | | **( 58,690)** | | | | |
| Retained earnings: | | | | | | |
| | Revaluation reserves | 256,992 | A, B, C | 256,992 | | |
| | Legal reserve | 56,510 | B | | | |
| | Extraordinary reserve | 448,224 | A, B, C | 448,224 | | ( 1) 66,876 |
| | Provision art. 18 Law 675/77 | 1,224 | A, B, C | 1,224 | | |
| | Provision for grants related to assets | 71,480 | A, B, C | 71,480 | | |
| | Provision under Law 169/83 | 65,280 | A, B, C | 65,280 | | |
| | Merger surplus (deficit) | 105,548 | A, B, C | 105,548 | | |
| | Provision under Law 904/77 | 38,163 | A, B, C | 38,163 | | |
| | Provision under Law 488/92 | 28,700 | - | - | | |
| | Reserve under art. 7 Leg. Decree 38/2005 | 40,505 | - | - | | |
| | Retained earnings | - | A, B, C | - | 50,626 | ( 1) 53,317 |
| | Profit (loss) for the period | ( 202,882) | A, B, C | - | | |
| | **Total retained earnings** | **909,744** | | | | |
| **Distributable total** | | | | **1,331,015** | | |

Key:
A: for share capital increase
B: to cover losses
C: for distribution to shareholders
(1) distribution of dividends

The reserves, which form part of the company's taxable income when distributed, totaled 380,566 thousand euro in addition to 93,852 thousand euro included in share capital following the increases made in previous periods.

Reserves not subject to taxation are recorded gross of the tax impact, in the absence of resolutions that envisage their distribution.

## Dividends paid

Dividends approved in 2012 and 2011 were as follows:

| | 2012 (euro per share) | 2011 (euro per share) | December 31, 2012 (000 euro) | December 31, 2011 (000 euro) |
|---|---|---|---|---|
| Ordinary shares | 0.120 | 0.120 | 20,799 | 20,799 |
| Savings shares | 0.186478 | 0.120 | 19,641 | 12,639 |
| **Total dividends** | | | **40,440** | **33,438** |

Dividends paid in 2012 totaled 40,434 thousand euro (33,441 thousand euro in 2011)

## 17. Employee benefits

This caption includes the post-employment benefits in accordance with IAS 19 and liabilities relating to future commitments, in the form of bonuses, to be paid to employees on the basis of their length of service at the company; these liabilities arise from actuarial valuations at December 31, 2012.

In addition, provision was made for costs envisaged for recourse to state-subsidized lay-off schemes and redundancy programs under the previously announced “Project 2015” for the re-organization of head-office operations and the manufacturing and sales networks.

| (in thousands of euro) | Post-employment benefits | Provision for seniority increases and social security abroad | Other employee benefits | Provisions for termination of employment | Total |
|---|---|---|---|---|---|
| **At December 31, 2011** | **23,688** | **77** | **3,329** | **14,299** | **41,393** |
| Amounts accrued | 1,467 | 13 | 393 | - | **1,873** |
| Indemnities paid | ( 3,916) | - | - | - | **( 3,916)** |
| Staff transfers | ( 296) | - | - | - | **( 296)** |
| Sale of business unit | ( 720) | - | - | - | **( 720)** |
| Merger contribution | 115 | - | - | - | **115** |
| Provision | - | - | - | 46,824 | **46,824** |
| Use | - | - | - | ( 5,774) | **( 5,774)** |
| Surplus | - | - | - | ( 6,405) | **( 6,405)** |
| **At December 31, 2012** | **20,338** | **90** | **3,722** | **48,944** | **73,094** |

The assumptions used to determine liabilities arising from long-term benefits are set out below:

| | Post-employment benefits | Other employee benefits |
|---|---|---|
| Discount rate | 2.75% | 2.75% |
| Future salary rises | - | 3.00% |
| Inflation | 2.00% | 2.00% |

The rate used to discount post-employment benefit obligations was determined by reference to market yields on high quality European corporate bonds.

## 18. Provisions

| (in thousands of euro) | 12.31.2011 | Additions | Decreases | Surpluses | 12.31.2012 |
|---|---|---|---|---|---|
| Tax | 2,461 | - | ( 1,070) | ( 850) | 541 |
| Restoration of quarries | 15,595 | 2,855 | ( 539) | - | 17,911 |
| Restoration of industrial areas | 3,784 | - | - | ( 1,000) | 2,784 |
| Other risks | 5,471 | 2,294 | ( 407) | - | 7,358 |
| **Total other provisions** | **27,311** | **5,149** | **( 2,016)** | **( 1,850)** | **28,594** |

As regards tax assessments relating to Italcementi S.p.A., the tax assessments relating to the Italcementi S.p.A. tax returns for 1987, 2003, 2004, 2005, and 2006 are still being disputed; the adjustments requested by the authorities appear to be largely unfounded, also in the view of independent consultants.

On December 13, 2011 the Supreme Court of Cassation discussed the appeal relating to 1987; on March 2 it deposited its ruling upholding the two cross appeals presented by the company and overturned, for approximately 4 million euro of taxable income, the sentence of the Regional Tax Commission in our favor, since the grounds of the judge's ruling were *per relationem*.

The case was reopened on January 13, 2012 before the Regional Tax Commission of Lombardy. The date for the hearing has not been set.

On February 1, 2011, the Regional Tax Commission decided in favor of the company, by confirming the sentence of first instance, which annulled an IRPEG corporation tax notice of assessment relating to 2003, and also declaring that the notice was without merit, since no intent of evasion was perceived in the company's conduct.

The Tax Agency appealed this decision before the Supreme Court of Cassation. The company appeared before the Court on April 27 and presented a cross-appeal.

In August 2009, the Lombardy Regional Tax Office for Major Contributors served a notice of assessment regarding IRES corporation tax relating to 2004, against which the company appealed in November 2009. A hearing was held and on October 12, 2011, the Tax Commission annulled the notice and upheld the company's arguments in full.

The Lombardy Regional Tax Office for Major Contributors appealed against the sentence and the company was notified on March 19, 2012.

The company appeared before the Court on May 18, 2012 and presented its counter-arguments.

In December 2010, the Lombardy Regional Tax Office served a notice of assessment relating to IRES corporation tax for 2005.

On February 15, 2011 the company appealed against the finding on separate taxation to the Milan Province Tax Commission.

The hearing was held on 30 May 2012 and the Milan Province Tax Commission, with its sentence of November 9, 2012, accepted the appeal and annulled the notice of assessment.

In July 2011, the Lombardy Regional Tax Office served a notice of assessment relating to IRES corporation tax for 2006.

In October 2011 the company appealed against the finding on separate taxation to the Milan Province Tax Commission.

In September 2011, Bergamo Province Tax Office served a notice of settlement for registration, mortgage and land registry tax for 2010, for an amount of 142 thousand euro.

In November 2011 the company appealed this notice. On 25 June 2012 the hearing was held. On January 25, 2013 the sentence was deposited upholding in full the company's appeal and revoking the notice.

The provision for tax was used to pay tax demands, while the surplus of 850 thousand euro was recorded following a sentence issued by the Court of Cassation for the closure of the dispute for the years 1996 to 1999.

The increase in the provision for the restoration of quarries includes a cash adjustment of 443 thousand euro, charged to the income statement under "Finance costs".

The decreases in the provision for restoration of industrial areas refer to the surplus created against forecasts of lower costs to be incurred in relation to the remediation of a site.

The increase in the provision for other risks largely refers to the allocation of likely costs connected to cases involving employees.

The decrease in the provision for other risks relates to the payments made in favor of the Azzanelli foundation for construction of a new geriatric facility.

## 19. Deferred tax assets and deferred tax liabilities

| (in thousands of euro) | 12.31.2011 | Adjustments to prior year taxes | Increases | Decreases | Merger contribution | 12.31.2012 |
|---|---|---|---|---|---|---|
| Deferred tax liabilities | 25,753 | 4 | 4 | ( 1,321) | 1 | 24,441 |
| Deferred tax assets | ( 52,286) | ( 4,303) | ( 38,533) | 7,481 | ( 4,006) | ( 91,647) |
| Unactivated deferred tax assets | - | - | 38,529 | - | 203 | 38,732 |
| **Total** | **( 26,533)** | **( 4,299)** | **-** | **6,160** | **( 3,802)** | **( 28,474)** |

In relation to the tests carried out on the medium-term recoverability of deferred tax assets, the company adopted the criterion of activating new deferred tax assets only within the limits of the deferred tax set aside in the year.

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Italcementi Group

The table below details the temporary differences that generated deferred tax assets and liabilities:

| (in thousands of euro) | Tax rate | Temporary differences at 12.31.2011 | Balance at 12.31.2011 | Adjust-ment prior-year taxes | Tax provision | Applica-tions | Merger contribu-tion | Balance at 12.31.2012 |
|---|---|---|---|---|---|---|---|---|
| **Deferred tax liabilities on:** | | | | | | | | |
| Gains in instalments from sale of operating assets | 27.50% | 9,840 | 2,706 | | | | | 2,706 |
| Depreciation of property, plant, and equipment | 3.90% | 775 | 30 | 4 | | (34) | | - |
| Revaluation of inventories | 27.50% | 57,069 | 15,694 | | | (748) | | 14,946 |
| Revaluation of inventories | 3.90% | 57,069 | 2,225 | | | (106) | | 2,119 |
| Fair value of derivatives | 27.50% | 3,901 | 1,073 | | | | | 1,073 |
| Discounting provisions | 27.50% | 9,127 | 2,510 | | | (262) | 1 | 2,249 |
| Other items | 27.50% | 5,253 | 1,446 | | 4 | (133) | | 1,317 |
| Other items | 3.90% | 1,759 | 69 | | | (38) | | 31 |
| **Total deferred tax liabilities** | | | **25,753** | **4** | **4** | **(1,321)** | **1** | **24,441** |
| **Deferred tax assets on:** | | | | | | | | |
| Provision for restoration of quarries and industrial areas | 27.50% | 20,654 | 5,680 | | 663 | (423) | | 5,920 |
| Provision for restoration of quarries and industrial areas | 3.90% | 11,710 | 457 | | | (60) | | 397 |
| Provision for other risks | 27.50% | 15,318 | 4,212 | | 13,507 | (3,349) | | 14,370 |
| Depreciation of civil buildings | 27.50% | 17,083 | 4,698 | | | | | 4,698 |
| Employee benefits and directors' remuneration | 27.50% | 12,304 | 3,384 | 4 | 1,805 | (1,025) | 14 | 4,182 |
| Write-down materials inventories | 27.50% | 6,916 | 1,902 | | 128 | (69) | 23 | 1,984 |
| Non-deductible interest expense | 27.50% | 61,147 | 16,815 | 4,330 | 10,808 | | | 31,953 |
| Emissions of $CO_2$ | 27.50% | 1,353 | 372 | | 223 | (88) | | 507 |
| Fair value of derivatives | 27.50% | 10,811 | 2,973 | | | | | 2,973 |
| Write-down assets | 27.50% | 11,360 | 3,124 | | 7,528 | (704) | 3,756 | 13,704 |
| Other items | 27.50% | 31,497 | 8,662 | (31) | 3,871 | (1,763) | 213 | 10,952 |
| Other items | 3.90% | 178 | 7 | | | | | 7 |
| **Total deferred tax assets** | | | **52,286** | **4,303** | **38,533** | **(7,481)** | **4,006** | **91,647** |
| **Unactivated deferred tax assets** | | | | | **(38,529)** | | **(203)** | **(38,732)** |
| **Total** | | | **(26,533)** | **(4,299)** | **0** | **6,160** | **(3,802)** | **(28,474)** |

## 20. Net debt

An itemized correlation of net debt with the statement of financial position is set out below:

| (in thousands of euro) Financial asset and liability category | Statement of financial position caption | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|---|
| **Cash, cash equivalents and current financial assets** | | **( 302,963)** | | **( 382,104)** | |
| Cash and cash equivalents | Cash and cash equivalents | | ( 1,424) | | ( 479) |
| Current loan assets | Equity investments, bonds and financial assets | | ( 296,411) | | ( 375,470) |
| Other current financial assets | Other current assets | | ( 5,100) | | ( 4,618) |
| Derivatives | Other current assets | | ( 28) | | ( 1,537) |
| **Current financial liabilities** | | **595,558** | | **486,960** | |
| Bank overdrafts and short-term borrowings | Loans and borrowings | | 373,488 | | 146,416 |
| Loans and short-term borrowings | Financial liabilities | | 219,963 | | 338,555 |
| Derivatives | Other current liabilities | | 2,107 | | 1,989 |
| **Non-current financial assets** | | **( 109,884)** | | **( 108,551)** | |
| Securities and bonds | Other non-current assets | | ( 9,884) | | ( 8,551) |
| Non-current financial receivables | Other non-current assets | | ( 100,000) | | ( 100,000) |
| **Non-current financial liabilities** | | **804,520** | | **842,672** | |
| Loans and long-term borrowings | Financial liabilities | | 781,156 | | 832,068 |
| Derivatives | Other non-current liabilities | | 23,364 | | 10,604 |
| **Net debt** | | **987,231** | | **838,977** | |

### 20.1. Financial liabilities

Financial liabilities are shown below by category, subdivided by non-current and current liabilities:

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Amounts due to banks | 509,062 | 613,910 |
| Non-current portion of loans and borrowings | 13,076 | 9,276 |
| Financial liabilities vs. Group companies | 259,018 | 208,882 |
| **Non-current financial liabilities** | **781,156** | **832,068** |
| Fair value of hedging derivatives | 23,364 | 10,604 |
| **Total non-current financial liabilities** | **804,520** | **842,672** |
| Bank overdrafts and short-term borrowings | 373,488 | 146,416 |
| Current portion of loans and borrowings | 5,527 | 262,647 |
| Financial liabilities vs. Group companies | 214,436 | 75,908 |
| **Amounts due to banks and current financial liabilities** | **593,451** | **484,971** |
| Fair value of hedging derivatives | 2,107 | 1,989 |
| **Total current financial liabilities** | **595,558** | **486,960** |
| **Total financial liabilities** | **1,400,078** | **1,329,632** |

Main non-current and current liabilities:

| (in thousands of euro) | Effective interest rate | Maturity | 12.31.2012 | 12.31.2011 |
|---|---|---|---|---|
| **Non-current amounts due to banks** | | | **510,000** | **613,910** |
| Ordinary borrowing | 3.20% | 2014 | 50,000 | 49,600 |
| Ordinary borrowing | 3.96% | 2019 | 60,000 | 59,310 |
| Committed line of credit | 2.61% | 2014 | 200,000 | 180,000 |
| Committed lines of credit | 0.57% | 2014 | 200,000 | - |
| Committed lines of credit | | 2013 | - | 325,000 |
| **Non-current financial liabilities vs. Group companies** | | | **260,000** | **208,882** |
| Intercompany ordinary borrowings | 1.07% | 2016 | 50,000 | - |
| Intercompany ordinary borrowings | 5.28% | 2020 | 210,000 | 208,882 |
| **Non-current portion of loans and borrowings** | | | **11,156** | **9,276** |
| **Fair value of hedging derivatives** | | | **23,364** | **10,604** |
| **Non-current financial liabilities** | | | **804,520** | **842,672** |
| **Current amounts due to banks** | | | **373,488** | **396,416** |
| Current liabilities | | | 48,488 | 71,416 |
| Committed lines of credit | | | 325,000 | 75,000 |
| Ordinary borrowings | | | - | 250,000 |
| **Financial liabilities vs. Group companies** | | | **214,436** | **75,908** |
| **Current portion of loans and borrowings** | | | **5,527** | **12,647** |
| **Fair value of hedging derivatives** | | | **2,107** | **1,989** |
| **Current financial liabilities** | | | **595,558** | **486,960** |
| **Total financial liabilities** | | | **1,400,078** | **1,329,632** |

Non-current financial liabilities by maturity:

| (in thousands of euro) | December 31, 2012 | December 31, 2011 |
|---|---|---|
| 2013 | - | 333,698 |
| 2014 | 450,012 | 229,800 |
| 2015 | - | 189 |
| 2016 | 50,474 | 190 |
| 2017 | - | - |
| Beyond | 280,671 | 268,191 |
| Hedging derivatives | 23,364 | 10,604 |
| **Total financial liabilities** | **804,520** | **842,672** |

## Main bank loans and drawn and available lines of credit

The main changes in Italcementi S.p.A. medium/long-term loans and borrowings in 2010, 2011 and 2012 are described below:

Bank loans and drawings on medium/long-term lines of credit:

a) In May 2012, Italcementi S.p.A. arranged a 200 million euro floating-rate 5-year renewable line of credit to replace a facility expiring in December 2012. In line with the policy introduced, Italcementi Finance S.A. is part of the contract as alternative beneficiary of the facility, in which case Italcementi S.p.A. acts as guarantor. No drawings had been made on the line at 31 December 2012;

b) During 2012 in September and November respectively, a three-year 50 million loan and a fully drawn five-year 75 million committed line of credit expired and were repaid on expiry, without renewal;

Main intragroup borrowings and lines of credit at Italcementi S.p.A.

c) In September 2012, after arrangement of a bilateral bank line of credit by Italcementi Finance S.A., Italcementi S.p.A. obtained from Italcementi Finance S.A. a 100 million euro line of credit renewable at 3 years and 6 months. No drawings had been made on the facility at December 31, 2012;

d) In 2011, after finalization of a bilateral bank line of credit arranged by Italcementi Finance S.A., Italcementi S.p.A. obtained from Italcementi Finance S.A. a 50 million euro five-year renewable line of credit. At December 31, 2012, the line had been fully drawn;

e) As a result of the Moody's rating downgrade on December 15, 2011, the intragroup loans granted by Italcementi Finance S.A. to Italcementi S.p.A. in March 2010 for a total amount of 210 million euro, will be subject to the applicable interest-rate increase of 125 basis points as from March 19, 2013, in compliance with the step-up clause of the 750 million euro bond issued by Italcementi Finance S.A.;

f) In 2010, concomitantly with the Italcementi Finance S.A. bond issue, Italcementi S.p.A. obtained two ten-year intragroup loans from Italcementi Finance S.A., one at a fixed rate and one at a floating rate, for a total amount of 210 million euro;

g) In 2010, Italcementi S.p.A. took part in financing the repurchase offer on the Ciments Français S.A. US Private Placements, granting Ciments Français S.A. a long-term 5-year floating-rate intragroup loan for 100 million euro;

h) In 2010, concomitantly with the finalization of the Italcementi Finance S.A. syndicated line of credit, Italcementi S.p.A. obtained from Italcementi Finance S.A. a five-year 220 million euro renewable line of credit. No drawings had been made on the line at December 31, 2012.

Events after December 31, 2012:

i) In January 2013 Ciments Français made early repayment of the 100 million euro loan granted by Italcementi S.p.A. in 2010.

j) In February 2013, concomitantly with the Italcementi Finance S.A. bond, Italcementi S.p.A. obtained from Italcementi Finance S.A. a 5-year fixed-rate intragroup loan for 350 million euro.

## 20.2. Management of liquidity, credit and counterparty risks

### 20.2.1. Liquidity risk

The company's objective is to maintain a debt level able to ensure a balance between average debt maturity, flexibility and diversification of sources.

As from 2010, under its financial policy review, Italcementi S.p.A. is a recipient of the fund-raising activities of Italcementi Finance, enabling it to improve its access to credit and benefit from the synergies of a centralized financial policy. The policy aims to obtain loans at competitive conditions and to ensure a balance between average debt maturity, flexibility and diversification of sources. Consequently, Italcementi S.p.A. obtains refinancing from Italcementi Finance through short- and long-term intragroup loans, arranged at arm's length conditions.

Italcementi S.p.A. cash and cash equivalents at December 31, 2012 were immaterial. The tables below compare net financial debt (excluding the fair value of derivatives and financial assets) by maturity with available lines of credit at the end of each year:

**At December 31, 2012(*):**

| (in thousands of euro) | | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 3 years | Maturity 3 to 4 years | Maturity 4 to 5 years | Maturity beyond 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | | | 450,012 | 0 | 50,474 | 0 | 280,671 | 781,156 |
| Other current financial liabilities | | 544,963 | | | | | | 544,963 |
| Amounts due to banks | | 48,488 | | | | | | 48,488 |
| Cash and cash equivalents | | (1,424) | | | | | | (1,424) |
| **Total** | | **592,027** | **450,012** | **0** | **50,474** | **0** | **280,671** | **1,373,183** |
| | **start 2013** | **end 2013** | **end 2014** | **end 2015** | **end 2016** | **end 2017** | | |
| **Committed available lines of credit** | **795,000** | **770,000** | **670,000** | **300,000** | **200,000** | **-** | | |

(*) excluding fair value of derivatives

**At December 31, 2011(*):**

| (in thousands of euro) | | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 3 years | Maturity 3 to 4 years | Maturity 4 to 5 years | Maturity beyond 5 years | Total |
|---|---|---|---|---|---|---|---|---|
| Non-current financial liabilities | | | 333,698 | 229,800 | 189 | 190 | 268,191 | 832,068 |
| Other current financial liabilities | | 413,555 | | | | | | 413,555 |
| Amounts due to banks | | 71,416 | | | | | | 71,416 |
| Cash and cash equivalents | | (479) | | | | | | (479) |
| **Total** | | **484,492** | **333,698** | **229,800** | **189** | **190** | **268,191** | **1,316,560** |
| | **start 2012** | **end 2012** | **end 2013** | **end 2014** | **end 2015** | **end 2016** | | |
| **Committed available lines of credit** | **765,000** | **765,000** | **740,000** | **420,000** | **50,000** | | | |

(*) excluding fair value of derivatives

At December 31, 2012, the average maturity of Italcementi S.p.A. gross debt was 3 years and 6 months.

At December 31, 2012, Italcementi S.p.A. had 1,570 million euro of committed lines of credit of which 795 million euro undrawn and immediately available (1,345 and 765 million euro respectively at December 31, 2011). At the same date the subsidiary Italcementi Finance S.A. had 725 million euro of committed undrawn bank lines of credit, although not contractually reserved exclusively for Italcementi S.p.A. requirements.

### 20.2.2. Covenants

In addition to the customary clauses, some of the company's financing contracts include covenants requiring compliance with financial ratios, fixed for the most part on the basis of Group consolidated results and verified at June 30 and December 31. The same applies to available lines of credit at the subsidiary Italcementi Finance S.A. and the intragroup lines granted by Italcementi Finance S.A. to Italcementi S.p.A.. The main financial ratios included in the covenants are "leverage" (net debt/recurring EBITDA), and "coverage" (recurring EBITDA/net financial costs, excluding capital gains/losses on the sale of equity investments). For bilateral lines of credit and borrowings, failure to comply with covenants leads to termination and consequent early repayment, although these clauses also include a stand-by period prior to actual execution. Lines of credit and financing contracts do not contain rating triggers that would lead to early repayment. Some financing contracts involve assumption of negative pledges to the counterparty, although these are limited to specific instances that do not substantially compromise the company's ability to finance or refinance its operations.

At December 31, 2012 lines of credit and loans subject to covenants stood at 360 million euro of total drawings represented by gross debt (1,375 million euro at December 31, 2012 expressed at nominal value, excluding the fair value effects of derivatives) and 795 million euro of total undrawn and immediately available lines of credit (795 million euro at December 31, 2012)

At December 31, 2012, the company complied with all contractual commitments; covenant-related financial ratios were well within the contractual limits agreed in the loans in question. The company expects to comply with its covenants for the next 12 months and will provide information as appropriate should its financial situation deteriorate.

### 20.2.3. Credit risk

In compliance with Italcementi S.p.A. procedures, customers electing extended terms of payment are vetted for credit worthiness before and during the life of the contract. Credit checks take the form of customer-balance monitoring by the administrative department, whose procedures also regulate provisions for overdue receivables at regular intervals.

The concentration of trade credit risks is limited by virtue of Italcementi S.p.A.'s broadly based and uncorrelated customer portfolio. For this reason, management believes that no further provisions for credit risks will be necessary beyond the allowances normally provided for uncollectible and doubtful receivables.

### 20.2.4. Counterparty risk

Exchange- and interest-rate instruments are transacted only with counterparties with high ratings, selected on the basis of a number of criteria: ratings attributed by specialist agencies, assets and equity as well as the nature and maturity of transactions. The majority of counterparties are leading international banks.

No financial instruments are negotiated with counterparties in geographical regions exposed to political or financial risks. All counterparties are in Western Europe or in the USA.

At December 31, 2012 Italcementi S.p.A.'s credit exposure (intragroup current accounts) to the Calcestruzzi group, standing at 199.1 million euro did not present risk in excess of that already contemplated in testing the Italcementi interest in the Calcestruzzi group for impairment.

## 20.3. Financial assets and liabilities

The table below sets out the carrying amount and fair value of financial assets and liabilities at December 31, 2012:

| (in millions of euro) | December 31, 2012 Fair Value | December 31, 2012 Carrying amount | December 31, 2011 Fair Value | December 31, 2011 Carrying amount |
|---|---|---|---|---|
| **FINANCIAL ASSETS AT FAIR VALUE** | | | | |
| **Assets originally designated at fair value** | | | | |
| Cash and cash equivalents | 1,424 | 1,424 | 479 | 479 |
| **Assets classified as held for trading** | | | | |
| Fair value of derivatives (note 20.3.1) | 28 | 28 | 1,537 | 1,538 |
| **HELD-TO-MATURITY INVESTMENTS** | | | | |
| **LOANS AND RECEIVABLES** | | | | |
| Trade receivables | 220,798 | 220,798 | 276,999 | 276,999 |
| Other current assets | 1 | 1 | 1 | 1 |
| Other financial assets (note 6) without derivatives (note 20.3.1) | 190,991 | 190,991 | 200,708 | 200,708 |
| Equity investments, bonds and financial assets | 298,382 | 296,708 | 376,559 | 375,758 |
| **AVAILABLE-FOR-SALE FINANCIAL ASSETS** | | | | |
| Other equity investments (note 5.1) | 5,730 | 5,730 | 5,731 | 5,731 |
| **FINANCIAL LIABILITIES AT FAIR VALUE** | | | | |
| **Liabilities originally designated at fair value** | - | - | - | - |
| **Assets classified as held for trading** | | | | |
| Derivatives (note 20.3.1) | 25,471 | 25,471 | 12,592 | 12,592 |
| **OTHER FINANCIAL LIABILITIES** | | | | |
| Trade payables | 107,654 | 107,654 | 112,802 | 112,802 |
| Finance lease payables | 35 | 35 | 8,518 | 8,518 |
| Floating-rate financial liabilities | 679,572 | 679,572 | 985,755 | 985,755 |
| Fixed-rate financial liabilities | 121,118 | 107,077 | 107,936 | 100,443 |
| Amounts due to banks | 373,488 | 373,488 | 146,416 | 146,416 |
| Other short-term financing | 214,436 | 214,436 | 75,908 | 75,908 |

Trade receivables and payables are current assets and liabilities and are carried at amounts that are reasonable approximations of their fair value.

Derivatives are measured and recognized at fair value. The fair value of interest-rate contracts is determined on the present value of cash flows using the zero coupon curve.

The fair value of forward currency purchase contracts is based on the current exchange rates of contracts with similar maturity profiles.

The fair value of foreign currency payables and receivables is determined using closing rates. The fair value of fixed-rate payables and receivables is based on a fixed rate with no credit margin, net of transaction costs directly related to the financial asset or liability. Other short-term financing includes financial liabilities and current account amounts due to Group companies for 214,436 thousand euro.

## 20.3.1. Fair value of derivatives

The table shows the fair value of financial instruments reflected in the statement of financial position, subdivided by type of hedge:

| (in thousands of euro) | December 31, 2012 | | December 31, 2011 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Interest-rate derivatives hedging cash flows | - | 1,975 | - | 1,989 |
| Trading interest-rate derivatives | - | - | - | - |
| Exchange-rate derivatives hedging cash flows | 28 | 132 | 1,520 | - |
| Exchange-rate derivatives hedging fair value | - | - | 17 | - |
| Trading exchange-rate derivatives | - | - | - | - |
| **Total short term** | **28** | **2,107** | **1,537** | **1,989** |
| Interest-rate derivatives hedging cash flows | | 23,364 | | 10,604 |
| **Total medium/long-term** | **-** | **23,364** | **-** | **10,604** |
| **Total** | **28** | **25,471** | **1,537** | **12,593** |

Italcementi S.p.A. does not set up hedges on sales and purchases of shares.

Derivatives on trading exchange rates and interest rates refer to assets that do not qualify for recognition with hedge accounting criteria.

The fair value of derivatives relating to EUA and CER transactions was -3,729 thousand euro at December 31, 2012, of which -25,660 thousand euro reflected under "Other current liabilities" and 21,931 thousand euro under "Other current assets".

2012 derivative transactions on emission rights had an impact of -1,257 thousand euro on the income statement and -4,382 thousand euro on equity (OCI reserve).

The fair value of derivatives relating to transactions on electricity at December 31, 2012 was -967 thousand euro, of which -826 thousand euro under "Other current liabilities" and -142 thousand euro under "Other non-current liabilities".

In 2012 derivative transactions on electricity generated an impact on income of 46 thousand euro and an impact on equity (OCI reserve) of -504 thousand euro.

In 2012 derivative transactions on tin (II) sulfate had an impact on equity (OCI reserve) of 18 thousand euro.

## 20.3.2. Fair value – hierarchy

In determining and documenting the fair value of financial instruments, the company uses the following hierarchy based on different measurement methods:

- level 1: financial instruments with prices quoted on active markets;
- level 2: prices quoted on active markets for similar financial instruments, or fair value determined with other measurement methods where all significant inputs are based on observable market data:
- level 3: fair value determined with measurement methods where no significant input is based on observable market data.

At December 31, 2012, financial instruments stated at fair value were subdivided as follows:

| (in thousands of euro) | December 31, 2012 | level 1 | level 2 | level 3 |
|---|---|---|---|---|
| Derivatives - assets | 28 | | 28 | |
| Other equity investments | 5,998 | | | 5,998 |
| Derivatives - liabilities | 25,471 | | 25,471 | |

## 20.4. Interest-rate risk management

The company interest-rate risk management policy is designed to minimize the cost of net financial liabilities and reduce exposure to fluctuation risks. It hedges two types of risk:

1. the risk of variations in the market value of fixed-rate borrowing and lending transactions. Company fixed-rate debt is exposed to an "opportunity cost" risk in the event of a fall in interest rates. A change in interest rates will affect the market value of fixed-rate assets and liabilities and impact the consolidated profit or loss in the event of liquidation or early repayment of these instruments;

2. the risk linked to future flows arising from floating-rate borrowing and lending transactions.

A change in interest rates will have a negligible impact on the market value of floating-rate financial assets and liabilities but will affect financial costs and, consequently, future profits.

The company manages this dual risk as part of its general policy, performance targets and risk reduction targets by giving priority to hedges on future flows over the short- and medium-term, within the specified limits.

It hedges interest-rate risks mainly by arranging interest-rate swaps and interest-rate options with top-ranking banks. Exposure in derivatives may never exceed the value of the underlying.

### 20.4.1. Interest-rate risk hedging

The table below sets out the notional value of interest-rate derivatives by maturity:

| (in millions of euro) | | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 5 years | Maturity more than 5 years | Total |
|---|---|---|---|---|---|---|
| Cash flow hedges SWAPS pays Fixed / receives Floating | | | | | | |
| | 735 M€ Euribor 3M 1.674% | 125.0 | - | 175.0 | 435.0 | 735.0 |
| | 75 M€ Euribor 6M 2.835% | 25.0 | 50.0 | - | - | 75.0 |
| Cash flow hedges Options | | - | | - | - | - |
| **Total** | | **150.0** | **50.0** | **175.0** | **435.0** | **810.0** |

### 20.4.2. Exposure to interest-rate risk

At December 31, 2012, 94% of Italcementi S.p.A. net financial debt (not including the fair value of derivatives) was at a fixed rate or hedged against the risk of rate increases for different periods over the entire debt time horizon. 89% of fixed-rate commitments arose from swapped contracts initially arranged at floating rates.

Hedges are stated at nominal value for the period in question (consistently with instrument maturity) and do not include fixed-rate to fixed-rate contracts.

In 2012, taking advantage of the strong decrease in market reference rates, 435 million euro of new seven-year interest-rate swaps were arranged, taking the hedging profile to the highest levels contemplated by the current management policy.

## 20.4.3. Net debt at inception and after interest-rate hedging

The evolution of net debt at December 31, 2012 is shown below:

| (in millions of euro) | 12.31.2012 | Maturity less than 1 year | Maturity 1 to 2 years | Maturity 2 to 5 years | Maturity more than 5 years |
|---|---|---|---|---|---|
| Fixed-rate financial liabilities | 105.7 | 0.8 | 0.8 | 0.6 | 103.6 |
| Fixed-rate financial assets | (9.9) | - | - | - | (9.9) |
| Floating- to fixed-rate hedging | 810.0 | 150.0 | 50.0 | 175.0 | 435.0 |
| **Fixed-rate ND after hedging** | **905.8** | **150.8** | **50.8** | **175.6** | **528.7** |
| Floating-rate financial liabilities | 1,268.9 | 592.7 | 449.3 | 49.9 | 177.1 |
| Floating-rate financial assets | (402.9) | (302.9) | | (100.0) | - |
| Floating-rate ND at inception | 866.0 | 289.8 | 449.3 | (50.1) | 177.1 |
| Floating- to fixed-rate hedging | (810.0) | (150.0) | (50.0) | (175.0) | ( 435) |
| Optional hedging | - | - | - | - | - |
| **Floating-rate ND after hedging** | **56.0** | **139.8** | **399.3** | **(225.1)** | **(257.9)** |
| Optional hedging | - | - | - | - | - |
| Fair value of net derivatives | 25.4 | 2.1 | 2.3 | 10.0 | 11 |
| **Total ND** | **987.2** | **292.6** | **452.3** | **(39.5)** | **281.9** |

At December 31, 2012, a +0.5% change in the interest-rate curve would have had an impact of -0.2 million euro, that is, 0.5% of 2012 net finance costs. The impact on interest-rate derivatives in portfolio would be +17.8 million euro on equity and immaterial on profit before tax.

At December 31, 2012, a -0.5% change in the interest-rate curve would have had an impact of +0.2 million euro, that is, 0.5% of 2012 net finance costs. The impact on interest-rate derivatives in portfolio would be -18.4 million euro on equity and immaterial on profit before tax.

## 20.5. Management of currency risk

The company is structurally exposed to currency risks mainly on US dollar solid fuel purchases.

The company hedges exposure to the currency risk with forward currency purchase contracts, as well as call and put options on exchange rates.These hedges are arranged with leading banks.

## 20.5.1. Exposure to currency risk

Foreign currency exposure refers largely to US dollars for solid fuel purchases.

At December 31, 2012, a 10% appreciation in the US dollar against the euro would have had an impact on exchange-rate derivatives in portfolio of +1.9 million euro on equity and -0.1 million euro on profit before tax.

At December 31, 2012, a 10% depreciation in the US dollar against the euro would have had an impact on exchange-rate derivatives in portfolio of -1.5 million euro on equity and an immaterial impact on profit before tax.

## 20.5.2. Currency risk hedges

Currency risk hedges stated at the closing rates are illustrated below:

| (in millions of euro) | | 12.31.2012 | 12.31.2011 |
|---|---|---|---|
| **Forward purchases** | | | |
| Cash flow hedges US dollars | | 14.6 | 32.5 |
| Fair value hedges US dollars | | - | 1.4 |
| | **Total** | **14.6** | **33.9** |
| **Options** | | | |
| Cash flow hedges US dollars | | 6.6 | - |
| | **Total** | **6.6** | **-** |
| **Total** | | **21.2** | **33.9** |

Exchange-rate derivatives at December 31, 2012 expire within 12 months

## 20.6. Management of commodity risk

$CO_2$

Italcementi S.p.A. is exposed to market fluctuations on $CO_2$ emission rights prices, in connection with its surplus or deficit on the quotas allocated by its national government.

In 2012, in view of the surplus accumulated and the macroeconomic and industry scenario, Italcementi S.p.A. sold EUAs on the spot market for 14.4 million euro (28 million euro in 2011)

From 2008 to 2011, Italcementi S.p.A. transacted forward EUA-CER/ERU swaps (forward EUA sales and forward CER or ERU purchases) distributed in the period 2009-2013, to diversify and optimize its $CO_2$ emission rights portfolio.

Since 2010 Italcementi S.p.A. has operated on the spot and forward markets on behalf of the Group's other European companies under an agency basis.

ELECTRICITY

In 2012, Italcementi S.p.A. arranged price risk hedges on electric power purchases for 2012 and 2013.

TIN (II) SULFATE

In 2012, Italcementi S.p.A. arranged a modest volume of price risk hedges on tin(II) sulfate purchases for 2012.

## 20.7. Management of equity risk

Italcementi S.p.A. is exposed to market fluctuations on listed shares held in portfolio recognized under "Other equity investments". Treasury shares held by Italcementi S.p.A. are measured at cost and deducted against equity under the "Treasury shares" reserve (see note 15).

The risk of fluctuations in the value of these equity investments is not actively managed with financial hedging instruments.

## 20.8. Hedge Accounting

The effects arising from application of hedge accounting rules are summarized below.

The specific equity reserve reflects fair value gains and losses on the effective component of cash flow hedges only.

New derivatives recognized in equity totaled -11,220 thousand euro at December 31, 2012 (+344 thousand euro at December 31, 2011). The eliminated portion of the reserve relating to instruments that expired in 2012 amounted to +2,506 thousand euro at December 31, 2012, from +9,858 thousand euro at December 31, 2011. The changes in equity relating to derivatives contracted in 2010 and still in portfolio at December 31, 2012 amounted to -10,825 thousand euro (-7,305 thousand euro at December 31, 2011).

The non-effective component of cash flow hedges in portfolio at December 31, 2012 recognized in profit or loss was immaterial in both 2012 and 2011.

## 21. Trade payables

| (in thousands of euro) | 12.31.2011 | Change | Merger contribution/eliminations | 12.31.2012 |
|---|---|---|---|---|
| Suppliers | 84,452 | 792 | 2,351 | 87,595 |
| Group companies | 28,350 | ( 7,137) | ( 1,154) | 20,059 |
| **Total** | **112,802** | **( 6,345)** | **1,197** | **107,654** |

Payables regarding the purchase of property, plant and equipment, investment property and intangible assets (including under "Amounts due to suppliers" at December 31, 2011 for 29,835 thousand euro) have been reclassified to the item "Other current liabilities".

Details on payables due to Group companies are provided in the specific section on related parties.

## 22. Other current liabilities

| (in thousands of euro) | 12.31.2011 | Change | Sale of business unit | Merger contribution | 12.31.2012 |
|---|---|---|---|---|---|
| Amounts due to employees | 15,330 | 295 | ( 93) | 57 | 15,589 |
| Amounts due to social security authorities | 9,103 | ( 1,194) | ( 32) | 12 | 7,889 |
| Amounts due to tax authorities for VAT and withholdings | 5,116 | ( 1,491) | - | 2 | 3,627 |
| Payables for acquisition of assets | 29,835 | ( 16,695) | - | 28 | 13,168 |
| Other amounts due | 18,317 | 3,461 | - | 26 | 21,804 |
| Derivatives | 30,353 | ( 2,586) | - | - | 27,767 |
| Accruals and deferred income | 937 | 1,206 | - | 2,631 | 4,774 |
| **Total** | **108,991** | **( 17,004)** | **( 125)** | **2,756** | **94,618** |

"Accruals and deferred income" include grants related to assets to be posted to the income statement in future years in relation to amortization for 254 thousand euro.

## 23. Commitments

The company has provided guarantees for 2,523,573 thousand euro in the almost exclusive interest of Group companies for commitments to banks. The amount includes 2,484,312 thousand euro relating to guarantees issued to the subsidiary Italcementi Finance S.A. for the arrangement of new lines of credit and the bond loan.

Contracts and orders issued for investments in property, plant and equipment at December 31, 2012 were as follows:

| (in thousands of euro) | 12.31.2012 | | | |
|---|---|---|---|---|
| | | under 1 year | 1 to 5 years | beyond 5 years |
| Commitments for purchases of property, plant and equipment | 42,680 | 42,680 | - | - |

# Income statement

## 24. Revenue

Revenue from sales and services totaled 554,710 thousand euro as follows:

| (in thousands of euro) | 2012 | 2011 | Change | % change |
|---|---|---|---|---|
| Sale of finished and semi-finished goods | 473,028 | 538,469 | ( 65,441) | -12.2 |
| Resale of products | 22,824 | 18,926 | 3,898 | 20.6 |
| Revenue from services | 58,858 | 56,397 | 2,461 | 4.4 |
| **Total** | **554,710** | **613,792** | **( 59,082)** | **-9.6** |

The company's revenue arises almost entirely in Italy.

2012 revenue includes revenue from transactions with Group companies for 152,060 thousand euro regarding sales of products, staff transfers, as well as the provision of technical and administrative services under the existing contract (see note 33 "Related parties").

## 25. Other revenue

Other revenue totaled 33,051 thousand euro (32,255 thousand euro for 2011) and includes rental income and other income on assets for 7,925 thousand euro, income for interruptibility of electricity supplies for 20,909 thousand euro and other income for 4,217 thousand euro.

## 26. Raw materials and supplies

Raw materials and supplies of 289,540 thousand euro was as follows:

| (in thousands of euro) | 2012 | 2011 | Change | % change |
|---|---|---|---|---|
| Raw materials and semi-finished goods | 40,593 | 64,260 | ( 23,667) | -36.8 |
| Fuel | 78,608 | 109,319 | ( 30,711) | -28.1 |
| Packaging, materials and machinery | 32,513 | 39,223 | ( 6,710) | -17.1 |
| Finished goods | 18,648 | 13,871 | 4,777 | 34.4 |
| Electricity, water and gas | 112,109 | 111,332 | 777 | 0.7 |
| Change in inventories of raw materials, consumables, other | 7,069 | 3,428 | 3,641 | 106.2 |
| **Total** | **289,540** | **341,433** | **( 51,893)** | **-15.2** |

## 27. Services

Services totaled 153,525 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change | % change |
|---|---|---|---|---|
| External services and maintenance | 58,236 | 58,779 | ( 543) | -0.9 |
| Transport | 37,178 | 51,679 | ( 14,501) | -28.1 |
| Legal fees and consultancy | 11,395 | 14,173 | ( 2,778) | -19.6 |
| Rents | 4,865 | 7,314 | ( 2,449) | -33.5 |
| Insurance | 2,060 | 2,216 | ( 156) | -7.0 |
| Other | 39,791 | 41,949 | ( 2,158) | -5.1 |
| **Total** | **153,525** | **176,110** | **( 22,585)** | **-12.8** |

Services include recharges for staff and intragroup services for 45,141 thousand euro.

## 28. Employee expense and Stock options

Employee expense totaled 171,767 thousand euro as follows:

| (in thousands of euro) | 2012 | 2011 | Change | % change |
|---|---|---|---|---|
| Wages and salaries | 103,223 | 109,863 | ( 6,640) | -6.0 |
| Social security contributions and pension fund provisions | 39,257 | 43,282 | ( 4,025) | -9.3 |
| Cost of stock option plans | - | ( 505) | 505 | -100.0 |
| Other costs | 29,287 | 23,772 | 5,515 | 23.2 |
| **Total** | **171,767** | **176,412** | **( 4,645)** | **-2.6** |

“Other costs” refer to directors’ remuneration and expense relating to staff such as the canteen service, insurance, travel expenses and training.

### Defined contribution plans

Italcementi defined contribution plans relate to pension and medical assistance plans, with similar treatment given to the post-employment benefits paid to supplementary funds and to the fund for post-employment benefits paid to private-sector employees managed by the INPS national insurance board. The total cost recorded under employee expense was 6,928 thousand euro.

The number of employees is set out below:

| (heads) | 2012 | 2011 |
|---|---|---|
| Number of employees at year-end | 2,397 | 2,511 |
| Average number of employees | 2,445 | 2,616 |

## Stock options

The company has set up stock option plans for directors and managers who have particular roles in the Group.

Stock options refer to ordinary shares; the features of the plans are described in the Directors' report in the sections on Corporate Governance and Stock option plans. The exercise of options is on a 1:1 basis.

The terms and conditions of Italcementi S.p.A. stock option plans at December 31, 2012 were as follows:

| Grant date | No. options granted | Exercise period | Options exercised | Options cancelled | Unexercised options | Subscription price per share |
|---|---|---|---|---|---|---|
| March 17, 2005 | 1,053,600 | 3.17.2008 - 3.16.2015 | 6,475 | 28,900 | 1,018,225 | € 13.387 |
| March 7, 2006 | 631,403 | 3.7.2009 - 3.6.2016 | 4,187 | 50,325 | 576,891 | € 16.890 |
| March 7, 2007 | 1,020,200 | 3.7.2010 - 3.6.2017 | - | 49,525 | 970,675 | € 23.049 |
| March 26, 2008 | 623,300 | 3.26.2011 - 3.25.2018 | - | - | 623,300 | € 12.804 |
| June 4, 2008 | 1,564,750 | 6.4.2011 - 6.3.2018 | - | - | 1,564,750 | € 13.355 |
| **Total** | **4,893,253** | | **10,662** | **128,750** | **4,753,841** | |

The grant date is the date of the Board of Directors' meeting that approved the stock option plan.

The average residual life of unexercised options is approximately 2 years and 1 month.

The number and average exercise price of options in the periods in question are set out below:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | number of options | average subscription price | number of options | average subscription price |
| **Unexercised options at start of year** | **4,794,966** | **€ 15.637** | **5,230,216** | **€ 15.447** |
| Cancelled during the period * | | | ( 435,250) | |
| **Unexercised options at end of year** | **4,794,966** | **€ -** | **4,794,966** | **€ 15.637** |
| **Vested options at end of year** | | | **4,794,966** | |

* in 2011 a lower grant on the plan on 4 June 2008

The average ordinary share price in financial year 2012 was 4.37 euro (5.9 euro in 2011).

The option exercise price at December 31, 2012 was between 12.804 euro and 23.049 euro.

Only options granted after November 7, 2002 that had not vested at December 31, 2003 were measured and recognized at the date of transition to the IFRS.

The amortization of the vesting period for Italcementi S.p.A. stock option plans ended during 2011, therefore in 2012 no cost was recorded:

| (in thousands of euro) Grant date | No. options granted | Vesting period | Employee expense 2012 | Employee expense 2011 |
|---|---|---|---|---|
| March 7, 2007 | 796,443 | 3 years | - | - |
| June 20, 2007 | 701,250 | 3 years | - | - |
| March 26, 2008 | 520,840 | 3 years | - | 105 |
| June 4, 2008 | 620,750 | 3 years | - | ( 611) |
| **Total** | **2,639,283** | | **-** | **( 506)** |

## 29. Other operating income (expense)

Other operating income, net of expense, amounted to 9,538 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change | % change |
|---|---|---|---|---|
| Other taxes | 8,321 | 4,415 | 3,906 | 88.5 |
| Allowance for doubtful receivables | 7,290 | 7,726 | ( 436) | -5.6 |
| Provision for environmental restoration, quarries, other | 1,411 | 978 | 433 | 44.3 |
| Miscellaneous expense | 6,409 | 5,581 | 828 | 14.8 |
| Miscellaneous income | ( 32,969) | ( 62,641) | 29,672 | -47.4 |
| **Total** | **( 9,538)** | **( 43,941)** | **34,403** | **-78.3** |

“Miscellaneous income” included net income on the sale of $CO_2$ emission rights for 14,390 thousand euro, discounted income from the reimbursement of “new entry” $CO_2$ quotas recognized for 2008-2012 for 3,732 thousand euro, income from the allocation of white certificates for 9,312 thousand euro and amounts for the use of alternative fuels for 3,509 thousand euro.

## 30. Non-recurring income (expense)

Non-recurring expense, net of non-recurring income, amounted to 26,383 thousand euro (net non-recurring income of 8,239 thousand euro in 2011) and arose from net gains from the sale of assets for 18,469 thousand euro, of which 13,226 thousand euro from the sale of the Pontassieve business unit, net expense for reorganizations for 44,852 thousand euro, of which 36,264 thousand euro in relation to the “Project 2015” program.

## 31. Finance income (costs), net exchange-rate differences and derivatives

Finance income, net of finance costs, amounted to 80,134 thousand euro, as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| (in thousands of euro) | Income | Costs | Income | Costs |
| Interest income | 6,109 | | 8,026 | |
| Interest expense | | (37,091) | | (39,415) |
| **Subtotal** | **6,109** | **(37,091)** | **8,026** | **(39,415)** |
| **Net interest in respect of net debt** | | **(30,982)** | | **(31,389)** |
| Dividends and other income from equity investments | 117,611 | | 151,256 | |
| Other finance income | 32,792 | | 43,206 | |
| Other finance costs | | (40,826) | | (52,177) |
| **Total finance income (costs)** | **156,512** | **(77,917)** | **202,488** | **(91,592)** |
| Gains/(losses) on interest-rate derivatives | | 199 | | 125 |
| Gains/(losses) on exchange-rate derivatives | | (320) | | 135 |
| Net exchange-rate differences | | 1,660 | | (1,337) |
| **Net exchange-rate differences and derivatives** | | **1,539** | | **(1,077)** |
| **Total finance income (costs), net exchange-rate differences and derivatives** | | **80,134** | | **109,819** |

Net interest in respect of net debt totaled 30,982 thousand euro in 2012 compared to 31,389 thousand euro in 2011, a decrease of 407 thousand euro.

## 32. Income tax expense

Income tax expense totaled 6,937 thousand euro, as follows:

| (in thousands of euro) | 2012 | 2011 | Change |
|---|---|---|---|
| Current tax | 1,343 | ( 10,767) | 12,110 |
| Deferred tax | 6,160 | ( 12,603) | 18,763 |
| Prior-year tax | 284 | 96 | 188 |
| Surpluses in allocation to provision for taxes | ( 850) | ( 800) | ( 50) |
| **Total** | **6,937** | **( 24,074)** | **31,011** |

The reconciliation between the theoretical tax charge and the effective tax charge reflected on the income statement is set out below:

| (in thousands of euro) | | Ires | Irap | Total |
|---|---|---|---|---|
| Profit (loss) before tax | (a) | ( 195,945) | ( 195,945) | |
| Difference in the taxable base between IRES and IRAP | (b) | | 222,641 | |
| | (c) = (a+/-b) | ( 195,945) | 26,696 | |
| Applicable tax rate (%) | (d) | 27.50 | 3.90 | 31.40 |
| Theoretical tax charge | (e) = (d) x (c) | ( 53,885) | 1,041 | ( 52,844) |
| Effect of reduction in rate for tax relief/break programs | (f) | | ( 7) | ( 7) |
| Tax effect on permanent differences: | (g) | | | |
| - foreign dividends and other exempt income | | ( 32,291) | ( 759) | ( 33,050) |
| - non-deductible costs | | 43,791 | 950 | 44,741 |
| Net effect for the year of unrecognized deferred tax on temporary differences | (h) | 48,664 | - | 48,664 |
| Effective tax charge | (i) = ∑ from (e) to (h) | 6,279 | 1,225 | 7,504 |
| Effective tax rate (%) | | -3.20 | 4.59 | 1.39 |
| Other tax items not related to profit (loss) for the period | (j) | | | ( 567) |
| **Effective tax charge reflected in income statement at December 31, 2012 (k) = (i) + (j)** | | | | **6,937** |

## 33. Transactions with related parties

Data relating to transactions with related parties and their impact on the company's financial position and results of operations are set out in the following tables:

## Breakdown of receivables and payables with related parties

(in thousands of euro)

| Description | Company | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|
| Work in progress and payments on account | Other related parties | 450 | | | |
| **Total work in progress and payments on account** | | **450** | **0.1%** | **564,532** | **Note 2** |
| Trade receivables | Calcestruzzi S.p.A. | 19,621 | | | |
| | Ciments Français S.A. | 16,471 | | | |
| | Vassiliko Cements Works Ltd | 4,190 | | | |
| | S.Francesco s.c.a.r.l. | 2,672 | | | |
| | Ciments du Maroc S.A. | 2,068 | | | |
| | Italgen S.p.A. | 1,840 | | | |
| | C.T.G. S.p.A. | 1,759 | | | |
| | Ciments Calcia S.A. | 1,013 | | | |
| | Intercom S.r.l. | 825 | | | |
| | Sociedad Financiera Y Minera S.A. | 740 | | | |
| | Helwan Cement Co. | 725 | | | |
| | Suez Cement | 628 | | | |
| | Other companies | 4,663 | | | |
| | Other related parties | 45 | | | |
| **Total trade receivables** | | **57,260** | **25.9%** | **220,798** | **Note 8** |
| Current account receivables and other financial assets | Calcestruzzi S.p.A. | 203,889 | | | |
| | International City for Ready Mix Co. Loan | 20,762 | | | |
| | Italgen S.p.A. | 17,396 | | | |
| | Calcementi Jonici S.r.l. | 16,643 | | | |
| | Nuova Sacelit S.r.l. | 14,531 | | | |
| | Intercom S.r.l. | 6,502 | | | |
| | Bravosolution S.p.A. | 5,352 | | | |
| | C.T.G. S.p.A. | 4,785 | | | |
| | Italterminali S.r.l. | 3,744 | | | |
| | Ing. Sala S.p.A. | 2,664 | | | |
| | Other companies | 172 | | | |
| **Total current financial assets** | | **296,440** | **99.9%** | **296,708** | **Note 11** |
| Other assets | Ciments Calcia S.A. | 6,121 | | | |
| | Devnya Cement AD | 2,202 | | | |
| | Italcementi Finance S.A. | 1,502 | | | |
| | Sociedad Financiera Y Minera S.A. | 1,384 | | | |
| | Other companies | 1,079 | | | |
| **Total other current assets** | | **12,288** | **15.7%** | **78,168** | **Note 9** |
| Other non-current assets | Ciments Français S.A. Loan | 100,000 | | | |
| | Italmobiliare S.p.A. Receivables for tax consolidation | 72,295 | | | |
| | Italcementi Finance S.A. Debenture loan | 9,884 | | | |
| **Total other non-current assets** | | **182,179** | **95.4%** | **190,991** | **Note 6** |

## (Breakdown of receivables and payables with related parties – cont.)

(in thousands of euro)

| Description | Company | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|
| Trade payables | Italmobiliare S.p.A. | ( 6,030) | | | |
| | Gruppo Italsfusi S.r.l. | ( 5,509) | | | |
| | Ciments Français S.A. | ( 3,019) | | | |
| | C.T.G. S.p.A. | ( 2,570) | | | |
| | Italgen S.p.A. | ( 1,399) | | | |
| | BravoSolution S.p.A. | ( 1,018) | | | |
| | Intercom S.r.l. | ( 701) | | | |
| | Zuari Cement Ltd | ( 318) | | | |
| | Other companies | ( 827) | | | |
| | Other related parties | ( 337) | | | |
| **Total trade payables** | | **( 21,728)** | **20.2%** | **107,654** | **Note 21** |
| Current account payables and other financial liabilities | Italcementi Finance S.A. Loan | ( 197,288) | | | |
| | Italcementi Ingegneria S.r.l. | ( 5,166) | | | |
| | Esa Monviso S.p.A. | ( 4,358) | | | |
| | SAMA S.r.l. | ( 3,778) | | | |
| | Gruppo Italsfusi S.r.l. | ( 2,921) | | | |
| | Aliserio S.r.l. | ( 1,963) | | | |
| | Other companies | ( 682) | | | |
| **Total current financial liabilities** | | **( 216,156)** | **98.3%** | **219,963** | **Note 20** |
| | Italcementi Finance S.A. Loan | ( 259,018) | | | |
| **Total non-current financial liabilities** | | **( 259,018)** | **33.2%** | **781,156** | **Note 20** |
| Other liabilities | Ciments Calcia S.A. | ( 3,312) | | | |
| | Devnya Cement AD | ( 1,122) | | | |
| | Sociedad Financiera Y Minera S.A. | ( 698) | | | |
| | Compagnie des Ciments Belges | ( 323) | | | |
| | Vulkan Ead | ( 231) | | | |
| | Other companies | ( 146) | | | |
| | Other related parties | ( 50) | | | |
| **Total other current liabilities** | | **( 5,882)** | **6.2%** | **94,619** | **Note 22** |
| Other non-current liabilities | Italcementi Finance S.A. Derivatives | ( 11,077) | | | |
| **Total other non-current liabilties** | | **( 11,077)** | **47.4%** | **23,364** | **Note 20** |

## Commitments with related parties

COMMITMENTS WITH RELATED PARTIES

(in thousands of euro)

| Description | Company | Amount |
| --- | --- | --- |
| Guarantees provided to Group companies | Italcementi Finance S.A. | ( 2,484,312) |
| | Interbulk Trading | ( 16,000) |
| | Bravosolution US | ( 6,183) |
| | Italgen S.r.l. | ( 5,957) |
| | Medcem S.r.l. | ( 3,000) |
| | Calcementi Jonici S.r.l. | ( 2,833) |
| | Eurotech Cement Shpk | ( 2,500) |
| | Shqiperia Cement Company Shpk | ( 2,500) |
| | Bravobuild Espana S.a.s. | ( 283) |

## Breakdown of revenue and costs with related parties

(in thousands of euro)

| Description | Company | Notes | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|---|
| Sales of finished and semi-finished goods, raw materials and supplies | Calcestruzzi S.p.A. | | 66,168 | | | |
| | Intercom S.r.l. | | 8,844 | | | |
| | Italgen S.p.A. | | 8,665 | | | |
| | San Francesco S.c.a.r.l. | | 6,308 | | | |
| | Cementi della Lucania S.p.A. | | 3,252 | | | |
| | Calcementi Jonici S.r.l. | | 1,303 | | | |
| | Other companies | | 621 | | | |
| **Total sales of goods** | | | **95,161** | **17.2%** | **554,710** | **Note 24** |
| Revenue for staff services and technical administrative services | Ciments Francais S.A. | employee recharges and Group structures | 38,053 | | | |
| | Ciments Calcia S.A. | | 2,998 | | | |
| | Calcestruzzi S.p.A. | | 2,418 | | | |
| | C.T.G. S.p.A. | | 1,996 | | | |
| | Sociedad Financiera Y Minera S.A. | | 1,474 | | | |
| | Devnia Cement AD | | 1,055 | | | |
| | Suez Cement | | 973 | | | |
| | Italgen S.p.A. | | 903 | | | |
| | Essroc Corporation | | 885 | | | |
| | Essroc Cement Corporation | | 643 | | | |
| | Vassiliko Cement Works Ltd | technical assistance | 640 | | | |
| | Ciments du Maroc | | 596 | | | |
| | Riverton Investment Corporation | | 473 | | | |
| | Suez Bag | | 396 | | | |
| | Other companies | | 3,396 | | | |
| | Other related parties | | 166 | | | |
| **Total revenue for services** | | | **57,065** | **10.3%** | **554,710** | **Note 24** |

## (Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

| Description | Company | Notes | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|---|
| Other revenue | C.T.G. S.p.A. | rent and income for lease of company branch | 4,949 | | | |
| | Calcestruzzi S.p.A. | | 318 | | | |
| | S.A.M.A. S.r.l. | | 90 | | | |
| | Ciments Français S.A. | | 87 | | | |
| | Italgen S.p.A. | | 66 | | | |
| | Other companies | | 222 | | | |
| | Other related parties | | 25 | | | |
| **Total other revenue** | | | **5,757** | **17.4%** | **33,051** | **Note 25** |
| Other income | Other companies | | 19 | | | |
| Other expense | Calcestruzzi S.p.A. | | ( 356) | | | |
| | Other companies | | ( 17) | | | |
| | Other related parties | payments to Fondazione Italcementi and other expense | ( 900) | | | |
| **Total other operating income (expense)** | | | **( 1,254)** | **-13.1%** | **9,538** | **Note 29** |
| Net gains from the sale of assets | Various companies | | 8 | | | |
| **Total net gains from the sale of assets** | | | **8** | **n.s.** | **18,469** | **Note 30** |

n.s. = not significant

## (Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

| Description | Company | Notes | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|---|
| Dividends and other income from equity investments | Ciments Français S.A. | | 89,305 | | | |
| | Italgen S.p.A. | | 17,383 | | | |
| | S.I.I.L. SA | | 2,211 | | | |
| | C.T.G. S.p.A. | | 325 | | | |
| | Gruppo Italsfusi S.r.l. | | 195 | | | |
| | Azienda Agricola Lodoletta S.r.l. | | 94 | | | |
| **Total dividends and other income from equity investments** | | | **109,513** | **93.1%** | **117,611** | **Note 31** |
| Interest income on inter-company accounts | Calcestruzzi S.p.A. | | 1,740 | | | |
| | Italcementi Finance S.A. | | 1,390 | | | |
| | Ciments Français S.A. | | 1,020 | | | |
| | Cementificio di Montalto S.p.A. | | 690 | | | |
| | International City for Ready Mix | | 579 | | | |
| | Nuova Sacelit S.r.l. | | 160 | | | |
| | Calcementi Jonici S.r.l. | | 125 | | | |
| | Italgen S.p.A. | | 82 | | | |
| | Intercom S.r.l. | | 60 | | | |
| | BravoSolution S.p.A. | | 58 | | | |
| | Other companies | | 70 | | | |
| **Total interest income** | | | **5,974** | **97.8%** | **6,109** | **Note 31** |
| Fees on guarantees and commodity derivatives | Ciments Calcia S.A. | | 6,764 | | | |
| | Devnya Cement AD | | 5,132 | | | |
| | Sociedad Financiera Y Minera | | 1,693 | | | |
| | Compagnie des Ciments Belges | | 991 | | | |
| | Vulkan Ead | | 863 | | | |
| | Halyps Building Mat. S.A. | | 325 | | | |
| | Italcementi Finance S.A. | | 315 | | | |
| | Other companies | | 104 | | | |
| **Other finance income** | | | **16,187** | **49.4%** | **32,792** | **Note 31** |

## (Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

| Description | Company | Notes | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|---|
| Raw materials, fuel, semi-finished and finished goods and electricity consumption | Interbulk Trading S.A. | clinker and fuel | ( 39,492) | | | |
| | Italgen S.p.A. | electricity consumption | ( 14,989) | | | |
| | Intercom S.r.l. | clinker | ( 11,552) | | | |
| | Cementificio di Montalto S.p.A. | products | ( 8,172) | | | |
| | SAMA S.r.l. | limestone | ( 830) | | | |
| | Socli S.A. | hydraulic lime | ( 624) | | | |
| | Gruppo Italsfusi S.r.l. | transfer of clinker | ( 545) | | | |
| | Medcem S.r.l. | transfer of cement and clinker | ( 527) | | | |
| | Other companies | | ( 351) | | | |
| **Total raw materials and supplies expense** | | | **( 77,082)** | **26.6%** | **289,540** | **Note 26** |
| Services | Gruppo Italsfusi S.r.l. | transport on sales | ( 26,945) | | | |
| | C.T.G. S.p.A. | specific projects, technical assistance and research (net of capitalized projects for 4,585 thousand euro) | ( 7,056) | | | |
| | Ciments Français S.A. | recharge of employees and Group structures | ( 6,215) | | | |
| | BravoSolution S.p.A. | e-commerce services | ( 2,723) | | | |
| | Italmobiliare S.p.A. | staff transfers | ( 462) | | | |
| | Italcementi Finance S.A. | | ( 404) | | | |
| | Italgen S.p.A. | | ( 324) | | | |
| | Ciments Calcia S.A. | | ( 248) | | | |
| | Other companies | | ( 764) | | | |
| | Other related parties | consultancy | ( 640) | | | |
| **Total services** | | | **( 45,781)** | **29.8%** | **153,525** | **Note 27** |
| Employee expense | Italmobiliare S.p.A. | | ( 4,364) | | | |
| | Other companies | | ( 28) | | | |
| **Total employee expense** | | | **( 4,392)** | **2.6%** | **171,767** | **Note 28** |

## (Breakdown of revenue and costs with related parties – cont.)

(in thousands of euro)

| Description | Company | Notes | Amount | % impact on financial statement items | Carrying amounts | Reference |
|---|---|---|---|---|---|---|
| Interest expense on inter-company accounts and fees | Italcementi Finance S.A. | | ( 14,617) | | | |
| | Italcementi Ingegneria S.r.l. | | ( 44) | | | |
| | SAMA S.r.l. | | ( 38) | | | |
| | Gruppo Italsfusi S.r.l. | | ( 29) | | | |
| | Esa Monviso S.p.A. | | ( 29) | | | |
| | Aliserio S.r.l. | | ( 16) | | | |
| | Other companies | | ( 12) | | | |
| **Total interest expense** | | | **( 14,785)** | **39.9%** | **37,091** | **Note 31** |
| Fees on guarantees and commodity derivatives | Ciments Calcia S.A. | | ( 3,460) | | | |
| | Italcementi Finance S.A. | | ( 2,025) | | | |
| | Devnya Cement AD | | ( 1,157) | | | |
| | Sociedad Financiera Y Minera | | ( 703) | | | |
| | Compagnie des Ciments Belges | | ( 340) | | | |
| | Vulkan Ead | | ( 245) | | | |
| | Halyps Building Material S.A. | | ( 77) | | | |
| **Other finance costs** | | | **( 8,007)** | **19.6%** | **40,826** | **Note 31** |

## Other transactions with related parties

During the year dividends were paid to the parent Italmobiliare S.p.A. for a total of 13,180 thousand euro (13,169 thousand euro in 2011).

## Impact of transactions with related parties on cash flows:

| | Cash flows | |
|---|---|---|
| (in thousands of euro) | **Amount** | **%** |
| Cash flow from operating activities with related parties | 158,047 | 150.3% |
| Total A) - from statement of cash flows 2012 | 105,168 | |
| | | |
| Cash flow from investing activities with related parties | 3,070 | n.s. |
| Total B) - from statement of cash flows 2012 | ( 51,250) | |
| | | |
| Cash flow from financing activities with related parties | 254,901 | n.s. |
| Total C) - from statement of cash flows 2012 | ( 52,973) | |
| | | |
| **Change in cash and cash equivalents with related parties** | **416,018** | |
| **Change in cash and cash equivalents on statement of cash flows (A+B+C)** | **945** | |

n.s. not significant

## Compensation to directors and the chief operating officer

Compensation paid to the directors and the chief operating officer of Italcementi S.p.A. for the positions they covered is detailed below:

| (in thousands of euro) | 2012 | 2011 |
|---|---|---|
| Short-term benefits: compensation and remuneration | 9,079 | 9,465 |
| Post-employment benefits: provision for leaving and end-of-term entitlements | 1,278 | 1,260 |
| Other long-term benefits: length-of-service bonuses and incentives | 3,624 | 3,624 |
| Share-based payments (stock options) | - | 3 |
| **Total** | **13,981** | **14,352** |

## 34. Non-recurring transactions

The following tables itemize non-recurring transactions and their impact on equity, the financial position and results of operations.

| | **2011** | | | | | |
|---|---|---|---|---|---|---|
| | **Equity** | | **Profit (loss) for the period** | | **Net debt** | |
| (in thousands of euro) | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| **Carrying amounts** | **1,784,648** | | **7,002** | | **838,977** | |
| Net gains from the sale of non-current assets | 16,337 | **0.9%** | 16,337 | 233.3% | 18,279 | **2.2%** |
| Other non-recurring income (expense) | ( 8,098) | | ( 8,098) | | - | |
| Taxes on non-recurring transactions | ( 2,721) | 0.2% | ( 2,721) | 38.9% | - | |
| **Total** | **5,518** | **0.3%** | **5,518** | **78.8%** | **18,279** | **2.2%** |
| **Figurative amount without non-recurring transactions** | **1,779,130** | | **1,484** | | **857,256** | |

| | **2012** | | | | | |
|---|---|---|---|---|---|---|
| | **Equity** | | **Profit (loss) for the period** | | **Net debt** | |
| (in thousands of euro) | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| **Carrying amounts** | **1,476,166** | | **( 202,882)** | | **987,231** | |
| Net gains from the sale of non-current assets | 18,469 | **1.3%** | 18,469 | -9.1% | 18,279 | **1.9%** |
| Other non-recurring income (expense) | ( 44,852) | | ( 44,852) | | - | |
| **Total** | **( 26,384)** | **-1.8%** | **( 26,384)** | **13.0%** | **18,279** | **1.9%** |
| **Figurative amount without non-recurring transactions** | **1,502,550** | | **( 176,498)** | | **1,005,510** | |

## 35. Audit fees

Pursuant to the CONSOB Regulation for issuers, the table below sets out fees paid to the independent auditors KPMG S.p.A. and to companies in the KPMG network.

| (in thousands of euro) | 2012 | Other Italian companies in the KPMG network |
|---|---|---|
| Auditing services | 664 | |
| Other attestation services | 98 | |
| Other legal, fiscal and corporate services | | 176 |
| **Total** | **762** | **176** |

## 36. Events after December 31, 2012

No other events occurred after December 31, 2012, with respect to those already described in the relevant section of the notes to the consolidated financial statements.

Bergamo, March 5, 2013

For the Board of Directors
The Chairman
Giampiero Pesenti

Italcementi
Italcementi Group

# Annexes

## Annex 1

## Highlights from the most recent financial statements of Italmobiliare S.p.A.

**(the company that exercises management control and coordination)**

| (euro) | | |
|---|---|---|
| **Statement of financial position** | **12/31/2011** | **12/31/2010** |
| Total non-current assets | 1,253,225,554 | 1,369,218,719 |
| Total current assets | 70,595,403 | 160,098,195 |
| **Total assets** | **1,323,820,957** | **1,529,316,914** |
| Equity: | | |
| Share capital | 100,166,937 | 100,166,937 |
| Reserves | 124,479,808 | 235,262,353 |
| Treasury shares, at cost | (21,226,190) | (21,226,190) |
| Retained earnings | 682,902,643 | 761,492,044 |
| Total equity | 886,323,198 | 1,075,695,144 |
| Total non-current liabilities | 304,801,153 | 144,270,791 |
| Total current liabilities | 132,696,606 | 309,350,979 |
| **Total liabilities** | **437,497,759** | **453,621,770** |
| **Total equity and liabilities** | **1,323,820,957** | **1,529,316,914** |

| **Income statement** | **12/31/2011** | **12/31/2010** |
|---|---|---|
| **Revenue** | **49,239,677** | **67,707,046** |
| Operating expense, other operating income (expense) | (30,903,653) | (32,552,799) |
| **Recurring EBITDA** | **18,336,024** | **35,154,247** |
| Other non-recurring income (expense) | (617,108) | (600,001) |
| **EBITDA** | **17,718,916** | **34,554,246** |
| Amortization and depreciation | (112,442) | (119,093) |
| **EBIT** | **17,606,474** | **34,435,153** |
| Finance costs | (39,752) | (49,257) |
| Impairment on financial assets | (80,411,448) | (190,472) |
| **Profit (loss) before tax** | **(62,844,726)** | **34,195,424** |
| Income tax expense | 5,544,817 | 1,041,659 |
| **Profit (loss) for the period** | **(57,299,909)** | **35,237,083** |

Italcementi Group

***Representation form pursuant to art. 154-bis, par. 5 TUF in relation to the separate financial statement (pursuant to art. 81-ter of Consob Regulation n° 11971/99, and subsequent modifications and integrations)***

1. The undersigned Carlo Pesenti, Chief Executive Officer and Carlo Bianchini, the Manager in charge of preparing the company's financial reports, of Italcementi S.p.A., having also taken into account the provisions of Article 154-*bis*, paragraphs 3 and 4, of the Italian Legislative Decree February no. 58 of 24 February 1998, hereby certify:

- the adequacy in relation to the legal entity features and
- the effective implementation

of the administrative and accounting procedures for the preparation of the separate financial statement over the course of the period from January 1st, 2012 and December 31st, 2012.

2. The representation of the adequacy of the administrative and accounting procedures adopted in the preparation of separate financial statements as at December 31st, 2012 is based on a form identified by Italcementi according to the CoSO framework (illustrated in the *CoSO Report*) and also takes into account the document *"Internal Control over Financial Reporting – Guidance for Smaller Public Companies"*, both issued by the Committee of Sponsoring Organizations of the Treadway Commission, representing a generally accepted international framework.

3. It is also certified that:

3.1 the separate financial statement:

a) has been drawn up in accordance with the international accounting standards recognised in the European Union under the EC regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002;

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

c) is capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of the issuer and the group of companies included in the consolidation.

3.2 The directors' report includes a reliable analysis of the performance and the results of operations, and the overall situation of the issuer and the group of companies included in the consolidation, together with a description of the main risks and uncertainties they are exposed to.

*Signed by: Carlo Pesenti, Chief Executive Officer*
*Signed by: Carlo Bianchini, Manager in Charge*

March 5th, 2013

*This report has been translated into the English version solely for the convenience of international readers*

## ITALCEMENTI S.P.A.
## REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE ANNUAL GENERAL MEETING UNDER ART. 153 OF THE CONSOLIDATED LAW ON FINANCE

To the Shareholders,
in compliance with the law and the provisions set forth by Consob, we hereby refer the outcome of the supervisory activities performed by us during the fiscal year ended on December 31, 2012.
We monitored compliance with the laws and the Certificate of Incorporation and observance of correct management principles by obtaining information from the Directors concerning management activities performed by them and transactions undertaken by the company and its subsidiaries with a material impact on the financial statements.
In this regard, we can reasonably state that the transactions in question were performed in compliance with the laws and the company by-laws and did not appear manifestly imprudent, risky, in potential conflict of interest, in contrast with shareholder resolutions or such as to compromise the company assets.
For matters within our sphere of competence, we supervised the adequacy of the company's organizational structure; for that purpose, on one hand we obtained information from the heads of the relevant functions, as set out in the minutes of our meetings, and on the other hand we liaised with the Audit Firm who attended all of our meetings. In this connection, we have no comments to make.
We also checked the adequacy of the instructions given by the company to its subsidiaries under art. 114 par 2 of the Consolidated Law on Finance, as well as compliance with art. 36 of the Markets Regulation.
We supervised the adequacy of the internal control system, of risk management and of the accounting-administrative system, as well as the reliability of the latter in fairly representing management operations.
To this end:

- we periodically met the Chief Executive Officer who is also the executive director responsible for overseeing the internal control system, who illustrated the activities carried out by each department involved in the operation of the control system;
- we reviewed the quarterly reports of the Manager in charge of the financial reports, whose content was examined in detail during several meetings. We thus obtained information on, *inter alia*, the activities undertaken in order to update the "Reference operating model for the assessment of the internal control and risk management system regarding financial disclosure" through the introduction of new procedures and updating of existing procedures; on the start-up of the review of the above-mentioned model in order to adapt the procedures therein to the organizational changes taking place in the company; on the review of the Group accounting principles manual; on the periodic update of the analysis of the processes of greatest significance for financial reporting, which the company believes should be subject to operational planning; on the definition of actions to be taken as a consequence of the results of the administrative and accounting audits performed by the Internal Audit department;
- we examined the periodic reports prepared by the Risk Management department, which were illustrated by the department manager during specific meetings. We were therefore apprised of the action planned to improve the company's performance through the identification, in consideration of the Group strategic objectives, of the main areas of risk in order to achieve an overall vision of the Group risks portfolio, with consequent selection of risks to be considered priority and definition of the strategies to be introduced to mitigate such risks;
- we assessed the Audit Plan drawn up by the Controller for the 2012 fiscal year, whose progress during the year we monitored. We hereby report that the Plan, which concerned operating procedures, IT systems and compliance issues, was properly executed and on a wider scale than originally intended;
- we liaised continually with the Audit Firm, and we examined the documents drawn up by said firm to illustrate their action plan and its execution;

- we attended the meetings of the Control & Risks Committee, which, on a number of occasions and in relation to specific issues, were held jointly with the meetings of the Statutory Auditors, chiefly for the purpose of optimizing time and the participation of the various officers involved in the meetings;
- we met the members of the Compliance Committee and after examining their reports we were apprised from time to time of the updating of the "Organizational, Management and Control Model", adopted by the company pursuant to Law 231/200l;
- we liaised with the supervisory bodies of the main subsidiaries, from whom no data or information emerged to be highlighted in this report;
- we also met the Statutory Auditors of the parent Italmobiliare S.p.A. to exchange information.

Based on the outcome of the activities performed and taking into account the ascertainment of regular, orderly and complete flows of economic and financial information generated within the various company areas, we hereby issue a positive opinion on the adequacy of the company's internal control system. The system, updated on an ongoing basis and, consequently, subject to positive evolution, makes a significant contribution to the more general process of improvement of the efficiency and effectiveness of the company operations and in particular of risk management.
In its capacity as Internal Control and Audit Committee, pursuant to art. 19 of Law 39/2010, the Board of Statutory Auditors hereby states that there are no observations to be reported to the shareholders.
In the execution of our supervisory activities, we did not detect unusual or atypical transactions conducted with Group companies or related parties or with third parties.
With regard to ordinary intragroup transactions or transactions with related parties executed during the reporting period, we observe that the features and financial impact of such transactions have been correctly illustrated in the Directors' Report to which reference should be made. For our part, we acknowledge that these transactions were performed in the interest of the company and in compliance with the procedure adopted by the company on November 5, 2010, pursuant to the Consob Regulation of March 12, 2010.
The Directors' Report provides adequate illustration of pending legal proceedings, which appear to be adequately monitored in order to safeguard the interests of the company.
During our meetings with the Audit Firm, no critical elements emerged; this is confirmed in the content of the Report pursuant to art.19, par 3, of Law 39/2010 presented by the Audit Firm to the Board of Statutory Auditors on March 22, 2013. Said report states that, during the audit, no material shortcomings emerged in the internal control system with reference to the financial disclosure formation process.
The stated absence of critical elements in the company's internal control and administrative-accounting systems is confirmed also in the Audit Firm reports on the separate and the consolidated financial statements, issued on March 22, 2013, which make no observations or disclosure recalls. In these Reports the Audit Firm also confirms the consistency of the Directors' Report with the respective financial statements, thereby confirming appropriate application of art. 123 bis of the Consolidated Law on Finance.
The combined perusal of the three above-mentioned documents drawn up by the Audit Firm further substantiates this Board's conclusion on the adequacy and effectiveness of the company's internal control system with reference to the process of financial disclosure formation.
The Directors drafted the separate and the consolidated financial statements using, as required, the IAS/IFRS accounting and financial reporting standards endorsed by the European Union, and provided, in the Directors' Report, the information required by Document no. 4 of Consob, Isvap and Banca d'Italia of March 3, 2010.
With regard to impairment testing, the Directors approved the related methods and criteria to be used, and in this connection obtained advice from independent external experts who, on the basis of the dispositions of the IAS/IFRS international accounting and financial reporting standards, standard doctrine and application best practice, confirmed that the procedures followed and their application were reasonable and appropriate.

We ascertained that the Remuneration Committee had formulated adequate guidelines (with regard to both merit and procedure) for the definition and execution of the company's remuneration policy; said guidelines are included in the Remuneration Report to be presented by the Board of Directors to the Annual General Meeting pursuant to art. 123 ter of the Consolidated Law on Finance.
The company's compliance with the new text of the Voluntary Code of Conduct approved by the Committee for the Corporate Governance of listed companies in December 2011, is illustrated in a manner we deem appropriate and complete, in the relevant section of the Directors' Report to the Annual General Meeting. This document, together with the company By-Laws and other codes and regulations adopted by the company, constitute the Corporate Governance system in force in Italcementi and the Group companies.
We ascertained that the members of this Board met the requirements of professionalism and independence and ascertained the methods and results of application of the self-assessment procedure followed by the Board of Directors with specific regard to the requirements set out for independent directors. It is noted that the directors also acquired the results of an analysis performed by a specialized independent company regarding the assessment of the size, composition and workings of the Board of Directors and of its Committees, also highlighting possible areas of improvement.
For the purpose of vigilance of the independence of the Audit Firm, pursuant to art. 19, par1, let d) of Law 39/2010, this board acknowledges the content of the "Transparency report" updated to December 2012 and drafted by the Audit Firm and published on its web site and also received on March 22, 2013, the written statement as per art. 17, par. 9, let. a) of Law 39/2010.
The Audit Firm informed this board of the amount of the fees received for activities other than the audit performed by the Audit Firm itself or by Italian and/or international parties belonging to its network. These fees are set out in the table below (figures in Euro/000).

| Activities | Italcementi | Subsidiaries | Total |
|---|---|---|---|
| Attestation | 98 | 75 | 173 |
| Other services | 176 | 32 | 208 |
| **Total** | **274** | **107** | **381** |

With regard to the "Principles on the independence of the Audit Firm" issued by the National Council of Accountants and referred to in Consob resolution no. 15185, we observe that the fees in question do not appear to present any critical elements relating to the independence of the Audit Firm.
The Board of Statutory Auditors and the Audit Firm did not issue any opinions envisaged by law during the fiscal year.
No complaints under art. 2408 of the Italian Civil Code nor claims of any other nature reached this board during the fiscal year.
During our activity and based on the information obtained, we found no omissions, censurable actions, irregularities or other material facts of a nature such as to be reported to the Supervisory Authorities or to be mentioned in this Report.
The activities of this board were conducted at 20 meetings, of which 3 held jointly with the Control & Risks Committee, and by attending 6 meetings of the Board of Directors and 1 meeting of the Executive Committee, 6 meetings of the Control & Risks Committee and 2 meetings of the Remuneration Committee. Also, as noted above, we met on the occasion of the meetings of the Comités des comptes of CimentsFrançais S.A. and of the supervisory body of Italmobiliare S.p.A..

The Board of Statutory Auditors has no remarks regarding the approval of the financial statements as at and for the year to December 31, 2012, as prepared by the Directors, and regarding the proposal to pay a dividend by withdrawing the amounts from the extraordinary reserve.

Bergamo, March 25, 2013

The Board of Statutory Auditors
Prof. Maria Martellini – Chairman
Dott.ssa Luciana Gattinoni – Standing Auditor
Prof. Mario Comana – Standing Auditor

**KPMG S.p.A.**
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**(Translation from the Italian original which remains the definitive version)**

# Report of the auditors in accordance with articles 14 and 16 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Italcementi S.p.A.

1 We have audited the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2012, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto. The company's directors are responsible for the preparation of these financial statements 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. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

Reference should be made to the report dated 26 March 2012 for our opinion on the prior year separate financial statements, which included the corresponding figures presented for comparative purposes.

3 In our opinion, the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2012 comply with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05. Therefore, they are clearly stated and give a true and fair view of the financial position of Italcementi S.p.A. as at 31 December 2012, the results of its operations and its cash flows for the year then ended.

4 As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Italcementi S.p.A. does not extend to such data.

5 The directors of Italcementi S.p.A. are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the directors' report and its specific section on the corporate governance and ownership structure, to the extent of the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 with the financial statements to which they refer, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report and the information required by article 123-bis.1.c/d/f/l/m and article 123-bis.2.b of Legislative decree no. 58/98 disclosed in the specific section of such report are consistent with the separate financial statements of Italcementi S.p.A. as at and for the year ended 31 December 2012.

Bergamo, 22 March 2013

KPMG S.p.A.

(signed on the original)

Stefano Mazzocchi
Director of Audit

Italcementi
Italcementi Group

Italcementi
Italcementi Group

# Sustainability disclosure

## Sustainability disclosure

Italcementi Group is consolidating and publishing its performance, in line with the Global Reporting Initiative requirements, since 2002. During these years, quality and materiality are growing. For the first time, the Group has decided to publish its extra-financial information together with the financial ones within the Group Annual Report. The integrated report serves as a concise communication about how the Group strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term. The aim is to make one more effort in terms of disclosure of the Group sustainable vision and transparency towards its relevant stakeholders, anticipating the upcoming legal framework on the subject. Actually, the reference for the consolidation of extra-financial information lies with the Global Reporting Initiative guidelines, also endorsing the elements required by the French law 12 July 2010 (Grenelle II), article 225, whose implementation is mandatory for the controlled company Ciments Français. Key statements and performance indicators are subjected to third party verification (please, refer to pages 346).

# 1 Group vision

## 1.1 Vision and management approach

The Group Vision is to be a world class local business building a better and sustainable future for all our stakeholders. The vision is declined into the operational Mission of creating value in the building materials sector through the innovative and sustainable use of natural resources for the benefit of our communities and clients. Vision and Mission are grounded on the five Group Values: Responsibility, Integrity, Efficiency, Innovation and Diversity, which are strategic directives for everyone working with the Group.

Inspired by the Group Code of Ethics and the Charter of Values, the Sustainability Policy is the cornerstone of the Group approach towards sustainability. It covers key themes affecting the sphere of business influence of the Group and its activities, namely: human rights, business integrity, health and safety, labour practices, social initiatives, supply chain, energy efficiency, environment, quality of products and processes, research and innovation. All relevant issues are covered by daughter Policies deriving from the Sustainability Policy itself. All the Group Policies draw their inspiration from international references such as the United Nations Universal Declaration of Human Rights, the International Labour Organization standards, the SA 8000 standard, the OECD guidelines on Multinational Companies and are reinforced by Italcementi Group Codes, the agreement between the Group and the Building and Wood Workers International, the membership to the World Business Council for Sustainable Development and the participation in the United Nations Global Compact. The whole set of Policies was discussed with the entire executive management and finally approved by the Group CEO. Download is available on the corporate website (http://www.italcementigroup.com/ENG/Italcementi+Group/Our+policies/).

The Group Policies are reflected in the implementation of effective management systems at all its sites. Management systems cover the organizational structure, operational standards, procedures, processes, tools and resources needed to meet the Group targets and ambitions, through a cycle aiming at continuous improvement. Implementing effective management system brings many benefits to the Group, including more efficient resource use, improved risk management, and increased stakeholder satisfaction. Health and safety, quality, energy, environment, training activities, human capital development and supply chain activities are topics covered by this approach. Therefore, the Group can benefit from global management experience and good practice. Relevant impacts, targets and ambitions are available under the proper sections.

At Group level, sustainability is regularly brought to the Board agenda, also driven by dedicated quarterly meetings involving the Chief Executive Officer (CEO), the Chief Operating Officer (COO) and the Sustainable Development Director.

The Group Sustainable Development Steering Committee (SDSC) acts as the foundation of the sustainability management structure within the Group and it incorporates key areas of responsibility under the chairmanship of the COO and the coordination of the Sustainable Development Director. The SDSC is empowered to turn the Group vision into actions, to support and monitor sustainable development strategy and its implementation and to define and implement communication programs. Country SDSCs set at local level strongly encourage vertical integration, calling for regular quarterly meetings chaired by the country Managing Directors and engaging managers from human resources, health and safety, environment, communication, legal, customer and supplier relations.

The Group formalized its commitment to sustainability in 2000, by joining the World Business Council for Sustainable Development (WBCSD) and the Cement Sustainability Initiative (CSI). All the Group subsidiaries are part of the existing Regional Networks of the WBCSD.

In 2010, the Group reinforced its ambitions by adhering to the United Nations Global Compact (UNGC). The Group decided to embrace, support and enact the Ten Principles in the areas of human rights, labour standards, environment and anti-corruption, within its sphere of business influence. Consistently, subsidiaries join and take active role in the existing Regional Networks of the UNGC. Communication on Progress on page 351 shows the Group contribution across the Ten Principles and the Millennium Development Goals.

After years of consolidation of existing practices, in 2008 the Group has started a process of standardization promoting effective off-shore policy based on challenging minimum requirements grounded on the home country legislation and best practices. The objective is to drive the improvement through a comprehensive set of standards and best practices, setting minimum compliance criteria beyond countries legislation or local practices.

## 1.2 Integrity

The Code of Ethics, defining the rules of behaviour and the principles applicable to employees and to all those establish any form of relationship with Italcementi, is the foundation of the Group Governance. It is now undergoing an upgrading process.

The Charter of Values sets the basic principles underlying the governance model for the company and its employees. It identifies the Group commitment in terms of honesty, fairness, integrity, transparency and mutual respect in managing the company and in its relations with stakeholders and markets. It is the reference for all the Group Policies.

The Italcementi Board of Directors approved the Italcementi Group Corporate Governance Framework (Framework), a set of common principles and rules related to the activities of the Board of Directors to be applied throughout the Group Companies. The Framework is made up of 31 Principles, also including Sustainability Policies, belonging to the major areas of the Board Operations along with the related application criteria, enforced for all the Group subsidiaries.

A Group-wide Anti Bribery Compliance Programme, along with specific Rules of Conduct, approved by the Board of Directors of Italcementi and binding upon the Group as a whole, is being implemented, jointly with specific rules of conduct, in all the subsidiaries, starting from the Countries of concern where the Group operates, as identified by the World Bank and Transparency International (they represent 57% of the Group revenues in 2012). The implementation now stands at 60% at Group level (35% in 2011). The Programme, is part of a wider project aimed at reducing all relevant risks in terms of Corporate Criminal Liability. Within the scope of this project, Italcementi adopted an Organization, Management and Control Model targeting, among others, corruption and bribery prevention, in order to comply with Italian Legislative Decree 231 of 2001. The Group is sharing its best practices and experience within the Italian network of the UNGC.

Italcementi has also launched a Group Antitrust Compliance Programme, providing a formal framework (including policies, guidelines, processes, monitoring and reporting activities) to ensure that the business as a whole complies with antitrust laws and to minimize the risks by assisting companies to promptly identify them and take remedial actions. Subsidiaries are now developing and formally adopting local antitrust compliance programs (all the Countries have adopted their own national programme by resolutions of the Board of Directors or General Management), in accordance with their specific needs and priorities, customizing the vision, principles and key features of the Group programme. The Group also issued corporate antitrust guidelines in order to support the subsidiaries in developing local rules of conduct in the dealing with specific subjects. The implementation now stands around 90% at Group level (70% in 2011).

The Group Enterprise Risk and Compliance Programme, ensuring better risk management and audit systems, now stands at 98% of implementation at Group level (96% in 2011). The programme is linked to the long-term incentive scheme of Group managers.

With the aim to support all the initiatives above mentioned, the Group has started implementing its Integrated Internal Audit Programme, also addressing health, safety, environmental, antitrust and anti-corruption bribery issues over a period of three years. The objective is to better assess and contribute to the improvement of risk management control and governance processes using a systematic and disciplined approach. Risk levels and audit ratings are homogenously defined over five levels. Corrective action plans are discussed with the involved Group and local functions.

# 2 Looking forward

## 2.1 Targets 2015

The following table resumes, per each section, the most relevant short term targets, setting Italcementi Group sustainable vision.

| | | unit | target value | status |
|---|---|---|---|---|
| **Group vision** | | | | |
| Integrity | Anti-corruption and Bribery Compliance Programme | % implementation | 100 | 60 |
| | Anti-trust Compliance Programme | % implementation | 100 | 90 |
| | Enterprise Risk and Compliance Programme | % implementation | 100 | 98 |
| **Social responsibility** | | | | |
| Valuing people | Training | hours/employee | 20 | 17 |
| Safety | Fatalities | number | 0 | 4 |
| | LTI Frequency Rate | per million hours | <3 | 6.2 |
| Health | Employees monitored according to Group standard for occupational hygiene | % | 100 | 65 |
| | Employees covered with medical surveillance according to Group standard | % | 50 | n/a |
| **Environmental protection** | | | | |
| Climate and energy | Gross $CO_2$ emissions | g/t cementitious product | 640 | 712 |
| | Cement plants certified to ISO 50001 or equivalent | % | 50 | 6 |
| Environmental management | Cement sites (integrated plants and grinding centers) certified to ISO 14001 | % | 100 | 90 |
| Air emissions | Continuous monitoring according to Group standard (dust, $SO_2$, NOx, CO, VOC) | % clinker | 100 | 71 |
| | Continuous and spot monitoring according to Group standard | % clinker | 100 | 91 |
| | Kilns with emissions below Group standard levels | % clinker | 100 | 82 |
| Water | Sites with sustainable water management | % | 50 | n/a |
| Resources and quarries | Alternative fuels, cement | % | 10 | 6.5 |
| | Quarries with rehabiltation plans | % | 100 | 85 |
| **Responsible production** | | | | |
| Supply chain | Corporate suppliers screened | % | 100 | 60 |
| | Customer satisfaction, average of absolute and relative | index | 800 | 743 |
| Innovation | Innovation rate | % turnover | 4-5% | 2.6 |

## 2.2 Ambitions 2020

Italcementi Group Values set the way ahead over a longer timeframe, shaping the sustainable ambitions for 2020.

### Integrity

We place ethical behaviour at the heart of all our businesses worldwide. We earn the trust of our partners in business and in the community through accountability and consistent corporate governance. Our daily commitment is to act with respect, honesty and transparency.

Building on the already ongoing integrity programmes, Italcementi Group has the ambition to set up a fully integrated system, from principles to disclosure, grounded on:

- an updated Code of Ethics, expressing the renewed sustainable strategy of the Group and the new global context;
- a Business Integrity Policy, framing all the actions taken into an effective management approach.

**Diversity**
Diversity is a source of energy and value that fuels our growth. We aim to create an environment of trust and belonging where differences add value and where everyone feels part of our world. For sustainable globalisation to succeed we must capture and redistribute local knowledge and experience for the benefit of the whole Group.

In this respect, ensuring equal opportunities is key for success. Italcementi Group aims at:
- increasing the percentage of management positions held by women up to 20%.
- systematically supporting all managers with focused training and operating tools to manage and valorise diversity

**Efficiency**
We strive for operational excellence by combining the technical expertise and cost management necessary to be a globally effective and efficient building materials manufacturer. We add value by delivering consistently high quality products and services customised to each local market around the world.

$CO_2$ intensity, related to direct or indirect emissions, is a representative indicator of global efficiency, as it combines most of the key levers to industrial excellence. Italcementi Group endorses a strategy leading to:
- cementitious products with less than 600 kg $CO_2$ per tonne;
- captive or offset production of renewable power up to 10% of the total electrical energy demand of production sites.

**Responsibility**
Our long term commitment to sustainability seeks to combine profitable economic performance with protecting the environment and improving the quality of life for present and future generations.

Biodiversity loss and water scarcity are possibly the most worrying challenges for the planet, also triggered by climate change. In this respect, Italcementi Group aims at implementing:
- biodiversity management systems, integrated with the rehabilitation plans, at all its extraction sites, prioritizing quarries in sensitive areas;
- sustainable water management at all its industrial and civil sites, from sourcing, through uses, to releases.

**Innovation**
We believe in the importance of innovation not only in the development of new products, applications and services, but also in our management approach. We must embrace change and be open to new ideas in order to attract the best talents.

Sustainable products and applications are essential to align the Group's portfolio to the changing expectations of markets. Responsible sourcing is one of the key tools. Italcementi Group strives to:
- increasing the percentage of cement products with at least 10% of recycled materials, up to 30% of total product range;
- increasing the average content of recycled materials in concrete up to 10%.

# 3 Social responsibility

## 3.1 Valuing people

The Group Human Rights Policy reinforces the Group commitment by explicitly supporting internationally proclaimed human rights as inalienable rights of all the individuals. The Policy also shows the Group commitment of not being complicit in any human rights abuse in the countries in which it operates.

In 2008, the Group has signed the Buildings and Wood Workers' International (BWI) Agreement. It represents a real charter of workers' rights, valid worldwide and based on the joint commitment of all signatories to respect fundamental human rights, promote improvements in working conditions, develop equitable industrial relations and to foster fair collective bargaining procedures with trade union representatives. Collective labor agreements, also embedding health and safety topics, cover nearly all employees among all countries, remaining currently excluded some areas, like Kuwait and Saudi Arabia, where this practice is not common in the labor market, and a few locations in the US where the unionization is not in place for reasons independent from the company's will. In Morocco, in line with the evolution of the local labor law regulations, collective agreements are being planned with the relevant industry and workers organizations. The number of employees not covered by those agreements is around one thousand among the total of the Group. Joint committees forums between trade unions and management are part of the approach to sustain constructive dialogue with workers and workers' representatives. This includes also transnational initiatives like the European Work Council, sharing periodically Group strategies and major projects. Same principles are promoted through the supply chain.

Within the framework of the Italian network of the UNGC, the Group is working on its first tailored tool for Human Rights Impact Assessment. It will be implemented starting from the countries of concern where the Group operates, as identified by the Freedom House (they represent 32% of the Group revenues in 2012). Meanwhile, the Group collects data and information of any possible incident related to human rights and working conditions. Whenever a critical situation is detected, the Group is reacting. Still around 100 critical situations were detected and solved in 2012, mostly related to the risk of inequality of treatment or working conditions of contracted workforce.

In most subsidiaries, the same benefits are given equally to full-time employees and temporary or part-time employees. Minor distinctions are applied in Kazakhstan, Morocco, India and Thailand, where some elements like performance bonus or complementary medical insurance are differently managed.

At year end, the Group employed a total of 18,886 employees operating in more than 20 countries. The work organization includes also working shifts in production sites, normally based on 8-hour shifts. Only in two subsidiaries, North America and Kazakhstan, 12-hour shifts are also used for a limited number of special tasks, but with two employees on duty and keeping the limit of 40 base hours per week.

Triggered by the enduring worldwide crisis, some restructuring activities are unavoidable. Most significant actions, including the "2015 Plan" launched to improve competitiveness on the Italian market, will be more evident starting from next consolidation. Restructuring plans are managed through union agreements, early retirement programme and overtime reduction. Nevertheless, six major countries out of eleven have experienced strike actions, for general reasons and also including those linked to the heavy social unrest in Egypt. Trend of salaries is in line with local context, knowing that Group's subsidiaries keep a salary policy conveniently above local market.

The Group consider diversity management as the responsibility of managers to respect and protect differences, and to consider them as a resource to be valued as far as in line with the Group values. Particular attention is paid to gender equality. Pay levels are monitored showing no relevant differences due to gender reasons. Local compensation surveys are run periodically. Actions to increase the presence and representation of women are in progress. At highest level, 5% of Board of Directors members and 8% of Subsidiaries Executive Committees members are women.

Group subsidiaries follow local legislation for the inclusion of people with disabilities, and beyond legally required practices, many of them undertake specific initiatives dedicated to people a better work inclusion and social support.

According to its training management system, the Group activities are organized around four training areas: Compliance and Risk Mitigation; Efficiency and Specialization; Sustainable Development and Innovation; Human Capital Development. The Group globally run 326,552 hours of training (364,040 in 2011) involving 31,186 trainees (32,563 in 2011) and reaching 19,324 participants (18,524 in 2011). This means that for the first time ever each Group employee received at least one training session.

The intranet portal is active for all employees, willing to improve internal communication flows, common culture development, cross fertilization and knowledge sharing. The portal allows to effectively communicate the Group values and messages, and to easily share feedbacks with employees. The professional social network «my.like» provides each user the opportunity to share information about career path and personal interests with colleagues worldwide. Thus networked information may nurture the growth of professional communities and encourage sharing of skills, competencies and expertise.

| | **Group employees** | | | **Open-end contracts** | | | **Fix-term contracts** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2012** | **2011** | **2010** | **2012** | **2011** | **2010** |
| Italy | 3,194 | 3,439 | 2,915 | 3,179 | 3,247 | 2,866 | 15 | 192 | 49 |
| France & Belgium | 4,051 | 4,113 | 4,162 | 3,993 | 4,048 | 4,111 | 58 | 35 | 51 |
| Spain | 515 | 597 | 634 | 501 | 574 | 604 | 14 | 23 | 30 |
| Greece | 174 | 194 | 209 | 171 | 193 | 203 | 3 | 1 | 6 |
| North America | 1,413 | 1,485 | 1,686 | 1,411 | 1,483 | 1,686 | 2 | 2 | 0 |
| Egypt | 4,573 | 4,622 | 4,781 | 3,893 | 4,035 | 4,123 | 680 | 587 | 658 |
| Morocco | 978 | 984 | 1,095 | 881 | 857 | 1,055 | 97 | 127 | 40 |
| Bulgaria | 359 | 388 | 419 | 340 | 378 | 416 | 19 | 10 | 3 |
| Turkey (*) | - | 131 | 128 | - | 131 | 128 | - | 0 | 0 |
| Thailand | 858 | 863 | 846 | 856 | 854 | 839 | 2 | 9 | 7 |
| India | 795 | 797 | 787 | 795 | 797 | 787 | 0 | 0 | 0 |
| Kazakhstan | 289 | 298 | 335 | 249 | 273 | 309 | 40 | 25 | 26 |
| China (*) | - | 306 | 423 | - | 5 | 3 | - | 301 | 420 |
| Trading | 346 | 340 | 369 | 344 | 303 | 334 | 2 | 37 | 35 |
| Kuwait | 349 | 343 | 323 | 320 | 306 | 290 | 29 | 37 | 33 |
| Others (**) | 992 | 999 | 1,027 | 119 | 930 | 957 | 53 | 69 | 70 |
| **Total** | **18,886** | **19,899** | **20,139** | **17,872** | **18,449** | **18,711** | **1,014** | **1,450** | **1,428** |

(*) deconsolidated 2012
(**) Includes, among others, Ciments Francais, CTG and BravoSolution

| | Full-time employees | | | Part-time employees | | |
|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2012** | **2011** | **2010** |
| Italy | 3,108 | 3,350 | 2,837 | 86 | 89 | 78 |
| France & Belgium | 3,919 | 3,983 | 4,036 | 132 | 78 | 126 |
| Spain | 507 | 586 | 623 | 8 | 52 | 11 |
| Greece | 174 | 194 | 209 | 0 | 11 | 0 |
| North America | 1,413 | 1,485 | 1,686 | 0 | 0 | 0 |
| Egypt | 4,573 | 4,622 | 4,781 | 0 | 0 | 0 |
| Morocco | 978 | 984 | 1,095 | 0 | 0 | 0 |
| Bulgaria | 359 | 388 | 419 | 0 | 0 | 0 |
| Turkey (*) | - | 131 | 128 | - | 0 | 0 |
| Thailand | 858 | 863 | 846 | 0 | 0 | 0 |
| India | 795 | 797 | 787 | 0 | 0 | 0 |
| Kazakhstan | 289 | 298 | 335 | 0 | 0 | 0 |
| China (*) | | 302 | 406 | - | 0 | 17 |
| Trading | 346 | 340 | 369 | 0 | 4 | 0 |
| Kuwait | 349 | 343 | 323 | 0 | 0 | 0 |
| Others (**) | 945 | 959 | 987 | 47 | 40 | 2 |
| **Total** | **18,613** | **19,625** | **19,867** | **273** | **274** | **272** |

(*) deconsolidated 2012
(**) Includes, among others, Ciments Francais, CTG and BravoSolution

| **Employees turnover** | | **Absolute** | **%** |
|---|---|---|---|
| In | Hiring (open or fixed-term contracts) | 1.030 | 81 |
| | Reassignments and re-entries | 189 | 15 |
| | Acquisitions | 47 | 4 |
| | **Total** | 1.266 | |
| Out | Resignations | 688 | 30 |
| | Dismissals and change of perimeter | 512 | 22 |
| | Lay-offs | 388 | 17 |
| | Retirements | 262 | 12 |
| | Fixed-term contracts and trial period closures | 261 | 11 |
| | Reassignments and re-entries | 110 | 5 |
| | Deaths | 55 | 2 |
| | **Total** | 2.276 | |

The following breakdowns by gender are extrapolated across the whole Group, based on detailed database covering the vast majority of Group employees (exceptions are Saudi Arabia and minor activities in Egypt).

| **Breakdown of personnel by age (%)** | **Female** | | | **Male** | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| < 30 | 1 | 1 | 1 | 7 | 8 | 9 |
| 30 - 40 | 4 | 4 | 4 | 21 | 22 | 22 |
| 40 - 50 | 4 | 4 | 4 | 32 | 32 | 32 |
| 50 - 60 | 2 | 2 | 2 | 27 | 25 | 23 |
| > 60 | 0 | 0 | 0 | 2 | 2 | 3 |

| Breakdown of personnel by seniority (%) | Female | | | Male | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| < 3 | 1 | 1 | 1 | 8 | 9 | 10 |
| 3 - 5 | 1 | 2 | 2 | 5 | 8 | 10 |
| 5 - 10 | 3 | 2 | 2 | 19 | 18 | 15 |
| 10 - 20 | 3 | 3 | 3 | 24 | 25 | 27 |
| > 20 | 3 | 3 | 3 | 32 | 29 | 27 |

| Breakdown of personnel by nationality (%) | Female | | | Male | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Europa | 8 | 8 | 8 | 41 | 42 | 42 |
| Africa | 1 | 1 | 1 | 30 | 28 | 28 |
| Asia | 1 | 1 | 1 | 11 | 12 | 12 |
| America | 1 | 1 | 1 | 7 | 7 | 7 |

| Female/Male (%) | Female | | | Male | | |
|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2012** | **2011** | **2010** |
| Managers | 10 | 12 | 9 | 90 | 88 | 91 |
| White collars | 22 | 25 | 23 | 78 | 75 | 77 |
| Blue collars | 2 | 3 | 3 | 98 | 97 | 97 |

| Salary ratio | Female | | | Male | | |
|---|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2012** | **2011** | **2010** |
| Top management (*) | 100 | 100 | 100 | 106 | 105 | 104 |
| White collars (**) | 100 | 100 | 100 | 109 | 109 | 109 |
| Blue collars | 100 | 100 | 100 | 107 | 112 | 108 |

(*) specific comparison with the external market
(**) including middle management

| Hours of training | 2012 | 2011 | 2010 |
|---|---|---|---|
| Efficiency | 113,287 | 141,990 | 156,419 |
| Sustainable Development and Innovation | 157,720 | 151,402 | 170,291 |
| Compliance | 8,957 | 9,317 | 10,234 |
| Human Capital Development | 46,588 | 6,133 | 49,958 |

| Trainees | 2012 | 2011 | 2010 |
|---|---|---|---|
| Efficiency | 6,763 | 8,470 | 7,825 |
| Sustainable Development and Innovation | 20,347 | 18,397 | 24,062 |
| Compliance | 767 | 1,692 | 1,810 |
| Human Capital Development | 3,282 | 4,004 | 2,993 |

| Hours of training (%) | 2012 | 2011 | 2010 |
|---|---|---|---|
| Manager | 13 | 16 | 14 |
| White collar | 39 | 84 | 86 |
| Blue collar | 48 | | |

<table>
<tr><th>Trainees (%)</th><th>2012</th><th>2011</th><th>2010</th></tr>
<tr><td>Manager</td><td>12</td><td>15</td><td>11</td></tr>
<tr><td>Blue collar</td><td>38</td><td rowspan="2">85</td><td rowspan="2">89</td></tr>
<tr><td>White collar</td><td>50</td></tr>
</table>

| Hours of training pro capita | 2012 | 2011 | 2010 |
|---|---|---|---|
| Per trainee | 10 | 11 | 11 |
| Per participant | 17 | 33 | 21 |
| Per employee | 17 | 18 | 19 |
| Ratio participants/employees | >1 | 0.6 | 0.9 |

### 3.2 Safety

The Group considers security and safety as fundamental values to be integrated in all its activities. To emphasize this approach, the Group operations are driven by the  Safety Policy introducing the motto: «Safety: a way of living».

Adding more substance to the Policy, the Group adopts an enhanced Safety Management Handbook (SMH). It is structured around five key areas: leadership of management in the creation of safety culture, elements to foster motivation in safety, safety structures and the organizational framework, operational tools, and contractors' safety. The system implementation is permanently audited with recommendations issued to every subsidiary. Regular follow-up and rating systems are evaluated and considered in the managers performance appraisal. Furthermore, Safety Committees are formalized at any site and country level, also with the aim to review roadmaps progress every quarter.

This safety management system is visibly endorsed by the group senior managers, who are trained specifically on safety leadership, expressing their personal commitment to promote at their level and at every occasion the new approach on safety, starting from the Group CEO. Personal commitments, periodically updated, are widely promoted and made available for everyone through the company's intranet system.

Making «Safety: a way of living», the Group is implementing Operational Safety Standards at all its sites. The issued operational standards cover Personal Protective Equipment, Works At Height, Control of Hazardous Energy (Lockout/Tagout), Hot Works, Confined Spaces Entry and, shortly in 2013, the Code of Practice for Driving. Dedicated site action plan and e-learning are available in local languages. As first result, fall from height has moved out of the top three main causes of accidents. With different deadlines, all the safety operational standards will be implemented by 2015.

Over a population of almost 19 thousands employees, the Group Lost Time Injuries (LTI) frequency rate for employees and temporary workers, i.e. the number of accident with lost time per million hours worked, was stable at 6.2, showing no improvement compared to last year but yet a significant 74% decrease since the launch of the Zero Accident project in 2000. The global number of LTI for employees decreased but the rate was negatively impacted by the reduced amount of worked hours. In total, the absenteeism of employees due to safety related causes total 9,292 lost days (less then 0.5% of total absenteeism, stable in the range of 6-7% of total workable days), while other 2,514 days of employees working on restricted duty were recorded.

In 2012, work-related injuries with lost days were 137 for contractors (133 in 2011). Moreover, the Group brought up a major enforcement in the reporting system by updating the internal safety database to report the LTI frequency rate for contractors on site, being among the first companies in the industry sector. Lost Time Injuries (LTI) frequency rate for contractors was 4.2 (4.0 in 2011). Since 2008, the Group is reporting the Total

Recordable Injury Rate (TRIR) adding recorded Restricted Work Duty and Medical Treatment to Lost Time Injuries, far beyond cement sector practices.

Despite all the efforts, four fatalities occurred at Group premises. Giving utmost importance to such events, each fatality is discussed at the Group Management Committee, during dedicated sessions chaired by the CEO, and then also presented to the Board of Directors.

In one subsidiary, minor administrative non-compliances to locally enforced regulatory schemes had raised penalties for 474 k€.

As usual every year, the Group endorsed and celebrated the World Day for Safety and Health at work to promote the prevention of occupational accidents and diseases globally. This initiative, promoted by the International Labour Organization, aimed at raising public awareness on the benefits of a safe, healthy and decent working environment.

| **LTI Frequency rate (*)** | **2012** | **2011** | **2010** | **2000** |
|---|---|---|---|---|
| Cement | 4.5 | 5.2 | 4.7 | 23.5 |
| Aggregates | 10.7 | 8.4 | 5.8 | 26.0 |
| Concrete | 10.8 | 7.0 | 9.4 | 20.1 |
| Group | 6.2 | 6.2 | 5.8 | 23.5 |

| **LTI Severity rate (*)** | **2012** | **2011** | **2010** | **2000** |
|---|---|---|---|---|
| Cement | 0.2 | 0.2 | 0.2 | 2.9 |
| Aggregates | 0.5 | 0.5 | 0.5 | 0.9 |
| Concrete | 0.3 | 0.5 | 0.6 | 1.1 |
| Group | 0.3 | 0.3 | 0.3 | 1.8 |

| **TRIR (*)** | **2012** | **2011** | **2010** | **2000** |
|---|---|---|---|---|
| Cement | 10.8 | 9.7 | 9.8 | - |
| Aggregates | 19.0 | 21.2 | 11.6 | - |
| Concrete | 18.1 | 14.3 | 16.9 | - |
| Group | 12.5 | 11.3 | 10.9 | - |

(*) Direct employees and temporary workers

| **Fatalities** | **2012** | **2011** | **2010** | **2000** |
|---|---|---|---|---|
| Employees (*) | 2 | 4 | 1 | - |
| Contractors (**) | 2 | 3 | 7 | - |
| Third parties | - | 2 | 2 | - |
| Group | 4 | 9 | 10 | - |

(*) direct employees and temporary workers
(**) contractors on Group premises

| **Work-related injuries with lost days** | **2012** | **2011** | **2010** | **2000** |
|---|---|---|---|---|
| Employees (*) | 223 | 234 | 237 | - |
| Contractors (**) | 137 | 133 | 155 | - |

(*) direct employees and temporary workers
(**) contractors on Group premises

### 3.3 Health and product responsibility

The Group promotes the health and the wellbeing of workers. This is as vital as protecting their safety. The Health Policy, adopted by the Group, confirms this approach.

The Group has implemented an internal standard for occupational exposure of workers to dust, crystalline silica, noise and whole body vibration, in all the countries in which it operates. The approach is based on risk assessment and international recognized standards. By applying the precautionary principle, most of the workers on the Group industrial sites (around 8,500 workers) are considered potentially exposed to dust, silica and noise; mobile equipment operators (around 3,500 workers) are considered potentially exposed to vibration. At the end of 2012, 65% (57% in 2011) of workers potentially exposed were covered by the assessment at Group level. The 92% of them is in line with the Group standard. Immediate remedy actions were implemented for the remaining. The Group target is to assess the totality of potentially exposed workers by the end of 2015. The standard is being integrated with the definition of minimum requirements for occupational medical surveillance, to be applied worldwide. An internal draft is available, to be diffused in 2013. The Group is also improving data collection on official application for occupational illnesses in all its countries, also where no clear legal framework is still enforced. This resulted in a higher disclosure (44 files against 28 in 2011).

The Group is actively promoting its approach to protect health at work at international level, with the aim at spreading best practice for the cement sector. At European level, the Group is actively involved in a joint comprehensive health study on cement.

The Group is covered by a worldwide agreement with International SOS to better manage health and security risks of international travellers and expatriates.

Moreover, six major subsidiaries out of eleven are putting in place education, training, counselling, prevention, and risk-control programs to assist workforce members and their families on serious diseases. Three of them are also extending the initiatives to community members.

The Group banned the purchase, supply and use of any type of asbestos or any asbestos-containing products, even in countries where it is still legal. A specific inventory is kept updated through periodic assessment of structures and equipments. All the related and necessary management activities, including monitoring and progressive dismantling, are performed since ever adopting the best techniques to protect health and safety. Moreover, the Group does not allow for any direct cement sale to cement-asbestos producers. Similar initiatives of inventory management and progressive elimination are taken for other substances of concern, such as PCBs and CFCs. At the end of 2012, 24% of the Group cement sites are completely asbestos-free, while 78% are already without PCBs and CFCs, in line with European best practices.

Concerning product responsibility, the Group discloses basic information on health and safety and environmental issues related to its market products, also in countries where no mandatory regulatory framework exists. The information sheets, available in local languages, describe relevant properties of cement and recommendations for its proper storage, transport, handling and use.

| Official applications for occupational illnesses | 2012 | 2011 | 2010 |
|---|---|---|---|
| Cement | 35 | 22 | 21 |
| Aggregates | 0 | 0 | 0 |
| Concrete | 6 | 2 | 0 |
| Others | 3 | 4 | 0 |
| Total | 44 (*) | 28 | 21 |

(*) Increase principally due to the improved data collection in 2012

| Worker with occupational exposure in line with Group standard | 2012 | | 2011 | | 2010 | |
|---|---|---|---|---|---|---|
| | % of compliance | % of monitoring | % of compliance | % of monitoring | % of compliance | % of monitoring |
| **Total** | | | | | | |
| Cement | 91 | 74 | 93 | 60 | 91 | 57 |
| Aggregates | 94 | 93 | 93 | 90 | 93 | 85 |
| Concrete | 99 | 41 | 100 | 25 | 100 | 12 |
| Group | 92 | 65 | 94 | 57 | 94 | 52 |
| **Dust** | | | | | | |
| Cement | 88 | 73 | 94 | 60 | 87 | 55 |
| Aggregates | 97 | 92 | 97 | 91 | 97 | 86 |
| Concrete | 96 | 28 | 100 | 33 | 97 | 17 |
| Group | 90 | 64 | 96 | 57 | 88 | 33 |
| **Crystalline silica** | | | | | | |
| Cement | 95 | 79 | 95 | 79 | 94 | 48 |
| Aggregates | 93 | 91 | 93 | 91 | 89 | 83 |
| Concrete | 99 | 24 | 99 | 24 | 96 | 14 |
| Group | 95 | 66 | 95 | 66 | 94 | 46 |
| **Noise** | | | | | | |
| Cement | 88 | 74 | 91 | 59 | 90 | 64 |
| Aggregates | 89 | 97 | 88 | 92 | 87 | 86 |
| Concrete | 100 | 38 | 100 | 27 | 100 | 10 |
| Group | 89 | 65 | 90 | 55 | 91 | 56 |
| **Vibration** | | | | | | |
| Cement | 98 | 64 | 90 | 83 | 96 | 73 |
| Aggregates | 100 | 89 | 100 | 81 | 98 | 83 |
| Concrete | 100 | 44 | 100 | 2 | 100 | 7 |
| Group | 100 | 64 | 94 | 68 | 96 | 47 |

## 3.4 Social initiatives

The Group aims at building relationships with its stakeholders based on mutual commitment, active partnership, trust, openness and long-term cooperation.

Building relations with communities means understanding their needs, supporting local projects without creating dependency, and fostering stakeholder consultation when opening new facilities, running existing ones and closing plants at the end of their productive lives. Key topics raised by relevant Group stakeholders are climate change, air emissions, health and safety. Local stakeholders are mainly addressing site-specific issues such as dust or noise impact and use of alternative fuels. All the Group subsidiaries regularly implement the Environmental and Social Impact Assessment (ESIA) guidelines issued by CSI, in case of new installations or major revamping projects. They were successful for the disclosure of environmental and social improvements coming from revamping projects to the relevant stakeholders.

The Social Initiatives Policy reinforces the Group approach by tracing the principles to build relationships with all the relevant stakeholders and defining rules for supporting organizations and social projects. Relevant operational guidelines are under development.

Employee opinion surveys, signature of the BWI agreement, open door activities, world days celebrations, implementation of health and safety standards for employees and contractors and the social intranet *i.like* are some examples of the Group active support to its internal stakeholder engagement.

Alongside the long-term participation in the WBCSD/CSI and the adhesion to UNGC, the Group actively promotes engagement with the International Emission Trading Association, the socially responsible investment community and the public-private Carbon Funds of the World Bank.

Beyond the activities supported by the Group and the subsidiaries, the Fondazione Italcementi Cav. Lav. Carlo Pesenti, established in June 2004 by Italcementi and Italmobiliare in honor of Carlo Pesenti - one of Italy's most prominent industrial and financial figures in the Post-War Period - is promoting education and scientific research as its core focus, with special emphasis on the sustainable economic and social development of enterprises. Moreover, the Foundation undertakes and fosters humanitarian projects aimed at supporting people struck by natural disasters in addition to providing aid in other emergency situations.

| **Social investments in 2012 (k€)** | **Support to communities** | **Sponsorships** |
|---|---|---|
| Fondazione Italcementi | 563 | |
| Italcementi Group | 250 | 912 |
| Group's Subsidiaries | 1,520 | 1,872 |

| **Cement plants with stakeholder engagement (*) in place (%)** | **2012** | **2011** | **2010** |
|---|---|---|---|
| Mature markets | 59 | 54 | 54 |
| Emerging markets | 100 | 100 | 100 |
| Group | 71 | 68 | 69 |

(*) Including Open Doors activities

# 4 Environmental protection

## 4.1 Climate and energy

As stated in its Energy Policy, the Group is committed to move towards a low-carbon economy while alleviating social impacts and to play a part in developing practical and feasible solutions together with governments and other responsible players in the building material sector.

More frequent occurrence of extreme precipitation in the Asian countries pose at risk key elements of the supply chain. Furthermore adverse weather conditions affect the cement market causing unexpected stops of production. In 2012 floods affected the supply chain in Thailand limiting operations. Unexpected production stops, with stoppages of kilns and following start ups increase the production costs. The Group diversifies both type and source of raw materials and fuels while prioritizing local sources. Insurance systems have also been put in place to cover unplanned plants stops. In the interest of all Group subsidiaries, Italcementi has worked with leading insurance companies to cover risks to people and assets.

The Group intensity based target, for direct emissions, is to achieve an emission factor of 640 kg $CO_2$ per tonne of cementitious product by 2015 (5% of reduction versus 1990). In 2012, the emission factor was 712 kg $CO_2$ per tonne of cementitious, penalized by the discontinuous operation of the European plants, due to continued market instability. In terms of thermal consumption reduction, the Group recorded some progress in 2012 in emerging markets, confirming their positive trend registered in the last four years.

Reduction initiatives are mainly focusing on increasing the use of less carbon intensive fuels, following an the Alternative Fuels Multiannual Plan. Those alternative fuels (AFs) reached a 6.5% substitution rate in 2012, of which almost 3% coming from biomass; in 2012, avoided emissions from use of biomass amounted to more than 400 ktons $CO_2$. Italy was able to increase its substitution rate of almost 40%. Egypt and India, which started up using agricultural waste in late 2011, continued in 2012 with a broader variety of alternative fuels, such as RDF. Two CDM (Clean Development Mechanism) projects based upon fuel switch have been applied for registration to UNFCCC in December 2012.

In addition to direct emissions, the Group is also tracking sources of indirect emissions, capturing upstream and downstream activities (e.g. transport of fuels and raw materials, business travel). The whole Group carbon footprint is then calculated on annual basis. Two subsidiaries, Italy and Bulgaria, obtained the inventory validation against the standard ISO 14064-1, being pioneers in their countries and in the cement sector as well. Available indirect $CO_2$ emissions are available on page 338.

The Group is firmly moving towards self production of electricity from renewable sources. Our renewable base load in Italy relies on hydro power plants (approximately 52.7 MW installed), progressively being modernized, and photovoltaic plants (Salerno, Sarche, Vibo Valentia and Guiglia quarry), with a total installed capacity of 7MW. In addition the Group is operating wind farms in Bulgaria and Morocco, with a total installed capacity of 23MW. The Group is operating a waste heat recovery (WHR) system in Morocco producing electrical power and saving up to 4,400 tons of $CO_2$ per year. It will be complemented by a concentration solar plant, now under construction. Overall 150,000 tons of $CO_2$ were saved in 2012 through self production of electricity.

In 2012, Energy Efficiency Certificates, equivalent to 80 ktoe savings, rewarded energy efficiency initiatives completed in several plants in Italy over the last few years. In addition to well-established energy efficiency practice at plant level, the Group has started the promotion of energy management systems. The core of the system is based on detailed monitoring and auditing activities, systematically carried out by a team of experts, and a set of Group procedures for purchasing and design of new equipments. Halyps plant in Greece, Devnya plant in Bulgaria and Scafa plant in Italy received the ISO 50001 certification for their management systems. All the three cases are pioneer actions in their local cement sector.

| **Gross $CO_2$ emissions (*)** | | **2012** | **2011** | **2010** | **2009** | **1990** |
|---|---|---|---|---|---|---|
| Mature markets | kg/t cementitious | 701 | 687 | 695 | 693 | 668 |
| Emerging markets | kg/t cementitious | 721 | 727 | 744 | 738 | 823 |
| Group | kg/t cementitious | 712 | 708 | 722 | 717 | 723 |
| Mature markets | million t | 14.1 | 15.6 | 15.9 | 15.8 | 22.0 |
| Emerging markets | million t | 17.6 | 18.9 | 19.9 | 19.3 | 14.8 |
| Group | million t | 31.7 | 34.4 | 35.8 | 35.0 | 36.8 |

(*) $CO_2$ gross emissions do not account for use of biomass as fuel

| **Net $CO_2$ emissions (*)** | | **2012** | **2011** | **2010** | **2009** | **1990** |
|---|---|---|---|---|---|---|
| Mature markets | kg/t cementitious | 681 | 668 | 676 | 677 | 635 |
| Emerging markets | kg/t cementitious | 720 | 727 | 743 | 737 | 823 |
| Group | kg/t cementitious | 702 | 699 | 712 | 709 | 701 |
| Mature markets | million t | 13.7 | 15.1 | 15.5 | 15.4 | 20.9 |
| Emerging markets | million t | 17.6 | 18.9 | 19.8 | 19.2 | 14.8 |
| Group | million t | 31.3 | 34.0 | 35.3 | 34.6 | 35.7 |

(*) $CO_2$ net emissions do not account for use of any kind of alternative fuels

| **Carbon footprint** | **2012** | | **2011** | |
|---|---|---|---|---|
| | **million t $CO_2$** | **%** | **million t $CO_2$** | **%** |
| Scope 1 (direct emissions) | 31.7 | 78.5 | 33.2 | 78.0 |
| Scope 2 (indirect emissions) | 2.4 | 5.8 | 2.5 | 5.9 |
| Scope 3 (value chain emissions) | 6.3 | 15.7 | 6.8 | 16.1 |
| **Total** | **40.4** | | **42.5** | |

| **Breakdown of Scope 2** | **2012** | | **2011** | |
|---|---|---|---|---|
| | **kt $CO_2$** | **%** | **kt $CO_2$** | **%** |
| Cement | 2,329 | 98.9 | 2,488 | 98.5 |
| Aggregates | 10 | 0.4 | 15 | 0.6 |
| Concrete | 16 | 0.7 | 22 | 0.9 |

| **Breakdown of Scope 3** | **2012** | | **2011** | |
|---|---|---|---|---|
| | **kt $CO_2$** | **%** | **kt $CO_2$** | **%** |
| Purchased goods | 3,052 | 48.3 | 3,202 | 46.8 |
| Energy not included in Scope 2 | 1,170 | 18.6 | 1,276 | 18.6 |
| Upstream transport | 802 | 12.7 | 873 | 12.8 |
| Downstream transport | 1,259 | 19.9 | 1,445 | 21.1 |
| Business travel | 19 | 0.3 | 33 | 0.5 |
| Employee commuting | 14 | 0.2 | 21 | 0.3 |

| Thermal consumption, cement | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | MJ/t clinker | 3,772 | 3,735 | 3,818 | 3,926 |
| Emerging markets | MJ/t clinker | 3,858 | 3,862 | 3,986 | 4,002 |
| Group | MJ/t clinker | 3,820 | 3,805 | 3,915 | 3,970 |
| Mature markets | million MJ | 60.7 | 66.5 | 68.6 | 69.5 |
| Emerging markets | million MJ | 79.2 | 84.4 | 98.9 | 95.4 |
| Group | million MJ | 139.9 | 150.9 | 167.4 | 164.8 |
| Mature markets | % alternative | 12.2 | 11.6 | 10.6 | 9.7 |
| Emerging markets | % alternative | 2.2 | 1.4 | 1.2 | 2.3 |
| Group | % alternative | 6.5 | 5.9 | 5.1 | 5.4 |

| Conventional fuels by type, cement (%) | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| Coal | 34.4 | 35.3 | 31.8 | 29.6 |
| Lignite | 0.0 | 0.0 | 2.8 | 2.2 |
| Shale | 0.0 | 0.0 | 0.0 | 0.0 |
| Petroleum coke | 30.2 | 29.2 | 29.5 | 31.9 |
| High viscosity fuel | 1.4 | 2.0 | 2.0 | 2.0 |
| Natural gas | 18.3 | 16.9 | 16.5 | 13.7 |
| Fuel oil | 9.1 | 10.8 | 12.3 | 15.6 |
| Alternative fuels | 6.5 | 5.9 | 5.1 | 5.4 |

| Alternative fuels by type, cement (%) | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|
| Animal meal | 12.7 | 15.7 | 18.6 | 22.1 |
| Liquid waste | 20.5 | 21.9 | 24.2 | 19.5 |
| Agricultural waste | 16.5 | 11.1 | 11.5 | 19.8 |
| Waste oils | 8.0 | 8.5 | 9.4 | 8.5 |
| Tyres and rubber | 14.7 | 14.9 | 13.8 | 8.9 |
| Solid waste | 14.0 | 13.8 | 9.2 | 6.0 |
| Plastic | 3.8 | 4.7 | 4.6 | 7.0 |
| RDF | 7.6 | 7.8 | 7.3 | 6.5 |
| Sludge | 2.2 | 1.7 | 1.4 | 1.6 |

| Power consumption, cement | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | kWh/t cement | 134.1 | 131.2 | 131.3 | 132.9 |
| Emerging markets | kWh/t cement | 108.3 | 110.6 | 113.8 | 112.0 |
| Group | kWh/t cement | 120.1 | 120.5 | 121.6 | 121.5 |
| Mature markets | million kWh | 2,677 | 2,978 | 3,014 | 3,064 |
| Emerging markets | million kWh | 2,603 | 2,833 | 3,317 | 3,186 |
| Group | million kWh | 5,280 | 5,811 | 6,332 | 6,250 |

| Power consumption, aggregates | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | kWh/t aggregate | 2.7 | 2.6 | 2.5 | 2.7 |
| Emerging markets | kWh/t aggregate | 2.1 | 1.7 | 1.9 | 2.2 |
| Group | kWh/t aggregate | 2.6 | 2.6 | 2.4 | 2.6 |
| Mature markets | million kWh | 73 | 69 | 68 | 84 |
| Emerging markets | million kWh | 3 | 4 | 4 | 7 |
| Group | million kWh | 76 | 73 | 72 | 91 |

| Power consumption, concrete | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | kWh/t aggregate | 4.8 | 5.3 | 5.7 | 5.1 |
| Emerging markets | kWh/t aggregate | 3.1 | 1.8 | 2.0 | 2.2 |
| Group | kWh/t aggregate | 4.6 | 4.9 | 4.4 | 4.2 |
| Mature markets | million kWh | 47 | 62 | 36 | 34 |
| Emerging markets | million kWh | 4 | 3 | 7 | 6 |
| Group | million kWh | 51 | 64 | 43 | 41 |

## 4.2 Environmental management

The Group is committed to prevent, or otherwise minimize, mitigate and remediate the environmental impacts of its activities. The Environment Policy reinforces the Group approach in preserving the environment and the society.

By adhering to the UNGC, the Group is committed to: support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

The Group strongly recommends the adoption of environmental management systems as an effective tool to prevent risk and to prompt continuous improvement. At the end of 2012, 52 cement sites out of 58, i.e. 90% (89% in 2011), located in all the 11 countries of operation, received the certification according to ISO 14001. In addition, 64 aggregates sites out of 160 (40%) and 16 out of 422 ready-mixed plants (4%) have ISO 14001 certificates. Beyond this, 2 natural hydraulic lime plant and all 14 hydro-power plants, also EMAS registered, are certified. The internationally recognized ISO 14001 management system addresses water, energy, air emissions, noise, high health concern materials, and waste and quarry management, through dedicated site procedures. Most of the issues are managed integrating Group's directives with site specific needs. Noise impact is mostly managed locally, site by site, through dedicated mapping and identification of technically viable solutions; for new machines installation, specific requirements are set in the technical annex of the supply contract. The managing structure starts from Group Sustainable Development Department, reaching the operations through dedicated functions at subsidiary and major sites level.

The Group has implemented a three years programme for the environmental reviews of its production sites, which generate corrective action plans involving Group and local functions. In the last three years, 64% of the cement plants have been audited, covering 7 subsidiaries out of 11. The totality of plants and subsidiaries was covered over the last four years.

Capital expenditure for environmental improvement, also including safety, was 34.2 million euro in 2012.

Dedicated environmental trainings are performed at site level, with employees and managers. An awareness campaign is under development for headquarters. Environmental best practices, based on the Italian experience, have been shared throughout the Group in order to promote better waste management.

Within the framework of the Enterprise Risk Management and building on the Italian experience, the Group developed guidelines for assessing dismissed or dismissing sites. They apply to all the businesses, covering safety and security risks, environmental risks, and social and external context risks.

The Group Subsidiary Interbulk Trading, a major cement trading company, offers first class commercial, logistics and shipping services for trading of clinker, ordinary and special cements, mineral products and solid fuels worldwide. The management of the Group fleet and cargos is based on an insurance coverage, following the best practices in the field. The Shipping and Maritime Logistics Department of Interbulk is responsible for organizing safe and reliable maritime transportation anywhere in the world. The aim is to provide a shipping service matching the Group needs and high performance standards, at the best competitive market prices. The Group is increasing the number of vessels with no more than 20 years old (81% in 2012 versus 74% in 2011). In 2012, chartered vessels were 339 (370 in 2011). In 2012, Interbulk totally moved around 5.7 million tonnes by sea trade. Detailed information under: http://www.interbulk.ch/ENG/Our+Company.

| % transport | Cement | | | Aggregates | | | Concrete | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| road | 90 | 92 | 92 | 91 | 93 | 94 | 100 | 100 | 100 |
| railways | 7 | 5 | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| waterways | 3 | 3 | 3 | 9 | 7 | 6 | 0 | 0 | 0 |

(*) No major difference between mature and emerging markets

| Waste management, cement (*) | | 2012 | 2011 | 2010 |
|---|---|---|---|---|
| Mature markets | kt of total waste produced | 23.7 | 30.9 | 23.5 |
| | *kt of hazardous waste* | *1.7* | *2.0* | *1.6* |
| Emerging markets | kt of total waste produced | 94.3 | 63.5 | 67.5 |
| | *kt of hazardous waste* | *10.1* | *0.3* | *7.0* |
| Group | kt of total waste produced | 118.0 | 94.4 | 91.0 |
| | *kt of hazardous waste* | *11.9* | *2.3* | *8.6* |

(*) waste production mainly derives from maintenance activities, which can vary during years

| Fines and penalties (*) for environmental non-compliance (k€) | Cement | | Aggregates | | Concrete | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Mature markets | 565.0 | 80.9 | 48.6 | 254.0 | 66.0 | 94.0 |
| Emerging markets | 284.0 | 34.0 | - | - | - | - |
| Group | 849.0 | 114.9 | 48.6 | 254.0 | 66.0 | 94.0 |

(*) including allegations yet to be appealed

## 4.3 Air emissions

At the end of 2012, 96% (81% in 2011) of the Group operating kilns are equipped with Continuous Emission Monitoring systems (CEMs). They measure simultaneously dust, nitrogen oxides ($NO_X$) and sulphur dioxide ($SO_2$), in line with the best practices for cement sector. Moreover, 71% of them also monitor carbon monoxide (CO) and volatile organics (VOC) continuously, according to the Group Standard and in line with the stricter existing regulations. Moreover, the Group standard defines minimum requirements for air emissions monitoring and performance level on eleven stack parameters. The compliance to the performance levels and to the monitoring requirements, according to the internal scoring system included in the assessment of top managers variable compensation, represents respectively 88% and 82% of clinker production. More in details, already 33% of the clinker was produced by kilns with all monitored parameters in line with performance levels of the standard. Additional improvements levels are expected especially thanks to the already ongoing plan of upgrading filtering devices in all the Egyptian kilns and further optimization of some abatement devices installed during the year (e.g. the new fabric filters in Marrakech plant or in India), yielding best performance only at the end of the year.

| Clinker produced in sites with air emissions in line with Group standard | % of compliance | | | % of monitoring | | |
|---|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Italy (home country) | 98 | 97 | 94 | 97 | 100 | 94 |
| Other subsidiaries | 86 | 88 | 81 | 80 | 74 | 56 |
| Group | 88 | 90 | 83 | 82 | 78 | 60 |

Actually, while the improvement in Italy is mainly due to selection of best plant driven by the market shrink and by some remaining alignment to Best Available Techniques, in the rest of the Group and even more in the emerging markets the improvement is given by enhance monitoring activity, upgrade of abatement device and improvement of skills of kiln operators. The best example is given by Group dust emissions factor, reduced by 26% compared to last year, mostly thanks to a significant 27% improvement in emerging markets.

| Air emissions: emission factors and % coverage | | | 2012 | | 2011 | | 2010 | |
|---|---|---|---|---|---|---|---|---|
| | | | emission factor | % coverage | emission factor | % coverage | emission factor | % coverage |
| Mature markets | dust | g/t clinker | 18 | 100 | 23 | 100 | 17 | 80 |
| | $NO_x$ | | 1,571 | 100 | 1,536 | 100 | 1,736 | 99 |
| | $SO_2$ | | 619 | 100 | 547 | 100 | 578 | 99 |
| Emerging markets | dust | g/t clinker | 187 | 100 | 257 | 100 | 299 | 96 |
| | $NO_x$ | | 1,470 | 100 | 1,625 | 100 | 1,621 | 90 |
| | $SO_2$ | | 241 | 100 | 182 | 100 | 199 | 96 |
| Group | dust | g/t clinker | 113 | 100 | 152 | 100 | 193 | 90 |
| | $NO_x$ | | 1,514 | 100 | 1,585 | 100 | 1,672 | 94 |
| | $SO_2$ | | 407 | 100 | 346 | 100 | 360 | 97 |
| | CO | | 1,348 | 98 | - | - | - | - |
| | VOC | | 55 | 94 | 33 | 74 | 36 | 54 |
| | benzene | | 2 | 59 | - | - | - | - |
| | dioxins | ng/t clinker | 44 | 81 | 24 | 49 | 37 | 43 |
| | PAH | | 6 | 56 | - | - | - | - |
| | mercury | mg/t clinker | 36 | 64 | 33 | 55 | 26 | 43 |
| | metals I (*) | | 9 | 85 | | | | |
| | metals II (**) | | 182 | 83 | - | - | - | - |

(*) metals I: Cd, Tl
(**) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

| Air emissions: yearly emissions | | | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Mature markets | dust | kt | 0.3 | 0.4 | 0.3 |
| | $NO_x$ | | 25.3 | 27.3 | 31.2 |
| | $SO_2$ | | 10.0 | 9.7 | 10.4 |
| Emerging markets | dust | kt | 3.8 | 5.6 | 7.4 |
| | $NO_x$ | | 30.2 | 35.5 | 40.2 |
| | $SO_2$ | | 5.0 | 4.0 | 4.9 |
| Group | dust | kt | 4.1 | 6.0 | 8.3 |
| | $SO_2$ | | 55.5 | 62.9 | 71.5 |
| | NOx | | 14.9 | 13.7 | 15.4 |
| | CO | | 48.7 | - | - |
| | VOC | | 2.0 | - | - |
| | benzene | t | 59.0 | - | - |
| | PAH | | 0.2 | - | - |
| | mercury | | 1.3 | - | - |
| | metals I (*) | | 0.3 | - | - |
| | metals II (*) | | 6.7 | - | - |
| | dioxins | g | 1.6 | - | - |

(*) metals I: Cd, Tl
(**) metals II: Sb, As, Pb, Cr, Co, Cu, Mn, Ni, V

## 4.4 Water

As part of the efforts to reduce its water footprint, the Group decided to embrace the WBCSD Global Water Tool, also being directly involved in the CSI development of water management guidelines. Thanks to these tools, the Group will soon be able to set different targets on water resources management, with special focus on most emerging cases in the countries of operation. The annual celebration of the World Water Day, promoted by the United Nations, aimed at raising public awareness on the critical role of water for life. Water has been increasingly recognized as a key factor in sustainable development by all the major industrial sectors, including building materials. The Group does not stand on the sidelines and shares the vision of a more responsible use of water in both working and family environments. The Group, being part of the WBCSD, concurs with the UN Water for Life Decade, a ten years project which aims to promote efforts to fulfill international commitments on water and water-related issues by 2015. In parallel, the Group set the target to implement sustainable water management in all the sites located in water stress regions.

| Water withdrawal, cement | | 2012 (*) | 2011 | 2010 |
|---|---|---|---|---|
| Mature markets | $m^3$/t cement | 0.79 | 0.95 | 0.99 |
| Emerging markets | | 0.41 | 0.52 | 0.48 |
| Group | | 0.59 | 0.73 | 0.71 |
| Mature markets | million $m^3$ | 15.6 | 21.8 | 22.9 |
| Emerging markets | | 9.4 | 12.9 | 13.5 |
| Group | | 25.0 | 34.7 | 36.4 |

(*) improved data collection

| Water withdrawal, by source | | 2012 | |
|---|---|---|---|
| | | million m3 | % |
| Surface waters | | 8.3 | 33 |
| Ground waters | | 8.1 | 32 |
| Supplied waters | | 3.2 | 13 |
| Collected waters | | 5.4 | 22 |

| Water consumption, cement | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | | 0.37 | 0.35 | 0.30 | 0.26 |
| Emerging markets | $m^3$/t cement | 0.36 | 0.41 | 0.37 | 0.27 |
| Group | | 0.37 | 0.38 | 0.34 | 0.27 |
| Mature markets | | 7.4 | 7.9 | 7.0 | 6.3 |
| Emerging markets | million $m^3$ | 8.3 | 10.1 | 10.5 | 7.8 |
| Group | | 15.7 | 18.0 | 17.5 | 14.1 |

| Water consumption, aggregates | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | | 0.10 | 0.13 | 0.04 | 0.04 |
| Emerging markets | $m^3$/t aggregate | 0.05 | 0.03 | 0.07 | 0.04 |
| Group | | 0.09 | 0.13 | 0.04 | 0.04 |
| Mature markets | | 2.6 | 3.6 | 1.1 | 1.2 |
| Emerging markets | million $m^3$ | 0.1 | 0.1 | 0.2 | 0.1 |
| Group | | 2.7 | 3.7 | 1.3 | 1.3 |

| Water consumption, concrete | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | | 0.23 | 0.23 | 0.24 | 0.24 |
| Emerging markets | $m^3/m^3$ concrete | 0.43 | 0.42 | 0.28 | 0.29 |
| Group | | 0.26 | 0.25 | 0.26 | 0.26 |
| Mature markets | | 2.2 | 2.6 | 2.0 | 1.7 |
| Emerging markets | million $m^3$ | 0.6 | 0.6 | 1.0 | 0.8 |
| Group | | 2.8 | 3.2 | 3.0 | 2.5 |

## 4.5 Natural resources and quarries

The Group subsidiaries apply strict guidelines for the responsible use of alternative fuels (AFs) and raw materials (ARMs). Based on the CSI guidelines, they first list the materials that must not be used under any circumstance. Afterwards, they focus on the selection, management and controls necessary for using alternative materials but covering health, safety and environmental issues.
In 2012, 6.5% of alternative fuels and 5.4% of alternative raw materials were used. 5.5% of the cement production types contain more than 30% of recycled materials. Almost two third of the global range contain non-quarried materials. Furthermore, production of concrete used globally 1.8% of alterative materials (11.6% in North America).

85% of the Group quarries has a rehabilitation plan in place, also addressing biodiversity. The Group has actively worked to develop the new WBCSD quarry rehabilitation guidelines. These guidelines aim at implementing better practices in the exploitation and rehabilitation phases worldwide. Particular attention is paid to indicators to monitor biodiversity. The Group ambition is to have 100% of its quarries with rehabilitation plan by 2015. Rehabilitation plans will include biodiversity action plans at least in all the quarries in the relevant biodiversity areas. Many projects and focused initiatives have been already launched: among them, a pilot project in the Trieste quarry (Italy) in cooperation with Trieste University, a similar project under implementation in Morocco with Rabat University, the wide experience of GSM, the French aggregates subsidiary under the frame of an agreement with IUCN, the ongoing project in North America with the cooperation of Wildlife Habitat Council. Moreover, in the wake of a full strategy on  biodiversity management, Group guidelines will be issued in 2013, aiming at increasing awareness, starting from a more detailed identification of sensitive quarries (122 out of 282 quarries managed). Specific budget is dedicated to quarry management initiatives, including the provisions requested in many countries as mandatory financial coverage for such projects.

The annual celebration of the World Environment Day, promoted by the United Nations, gave a specific focus on raising public concern for biodiversity.

| **Raw materials, cement** | | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|---|
| Mature markets | million t | 29.9 | 32.6 | 33.6 | 33.2 |
| Emerging markets | million t | 36.8 | 39.2 | 44.5 | 42.7 |
| Group | million t | 66.7 | 71.8 | 78.1 | 75.9 |
| Mature markets | % alternative | 8.1 | 7.8 | 6.5 | 6.7 |
| Emerging markets | % alternative | 3.2 | 3.7 | 5.1 | 4.8 |
| Group | % alternative | 5.4 | 5.6 | 5.7 | 5.6 |

| **Raw raw materials by type, cement (%)** | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|
| Limestone | 76.0 | 76.8 | 74.6 | 75.3 |
| Marl | 3.2 | 1.8 | 3.4 | 3.1 |
| Clay | 9.8 | 9.5 | 10.0 | 9.9 |
| Sand | 1.1 | 1.1 | 1.1 | 1.1 |
| Iron ore | 0.8 | 0.8 | 0.7 | 0.7 |
| Bauxite | 0.3 | 0.2 | 0.1 | 0.1 |
| Fluorite | 0.0 | 0.0 | 0.0 | 0.0 |
| Gypsum | 2.8 | 3.0 | 2.8 | 2.9 |
| Pozzolana | 0.5 | 0.7 | 1.1 | 1.0 |
| Other natural raw materials | 0.2 | 0.4 | 0.4 | 0.3 |
| Alternative raw materials | 5.4 | 5.6 | 5.7 | 5.6 |

| **Alternative raw materials by type, cement (%)** | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|
| Blast furnace slag | 33.4 | 27.1 | 25.0 | 29.4 |
| Fly ash | 28.1 | 29.3 | 26.2 | 27.2 |
| Calcium, Aluminum, Silicon or Iron substitutes | 13.1 | 16.1 | 26.8 | 20.7 |
| Industrial gypsum | 9.6 | 8.5 | 6.1 | 6.1 |
| Kiln & bypass dust | 8.5 | 9.5 | 10.1 | 11.1 |
| Foundry sand | 1.3 | 1.1 | 1.0 | 1.0 |
| Biomass ash | 0.8 | 0.5 | 0.4 | 0.6 |
| Other alternative raw materials | 5.2 | 7.9 | 4.4 | 3.9 |

| Quarry management, cement (*) | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | number of quarries | 102 | 107 | 107 | 107 |
| | *in sensitive areas* | *45* | *35* | *35* | *35* |
| | *with rehabilitation plan* | *90* | *97* | *98* | *98* |
| Emerging markets | number of quarries | 42 | 43 | 70 | 66 |
| | *in sensitive areas* | *0* | *2* | *2* | *2* |
| | *with rehabilitation plan* | *17* | *14* | *29* | *25* |
| Group | number of quarries | 144 | 150 | 177 | 173 |
| | *in sensitive areas* | *45* | *37* | *37* | *37* |
| | *with rehabilitation plan* | *107* | *111* | *127* | *113* |

| Quarry management, aggregates (*) | | 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|
| Mature markets | number of quarries | 133 | 140 | 94 | 95 |
| | *in sensitive areas* | *76* | *37* | *37* | *37* |
| | *with rehabilitation plan* | *128* | *137* | *94* | *95* |
| Emerging markets | number of quarries | 5 | 5 | 5 | 5 |
| | *in sensitive areas* | *1* | *0* | *0* | *0* |
| | *with rehabilitation plan* | *4* | *4* | *3* | *3* |
| Group | number of quarries | 138 | 145 | 99 | 100 |
| | *in sensitive areas* | *77* | *37* | *37* | *37* |
| | *with rehabilitation plan* | *132* | *141* | *97* | *98* |

(*) number of quarries refer to individual extraction sites.

## 5 Responsible production

### 5.1 Supply chain

Stakeholder dialogue is a key success factor in creating value and customer relationship. A fundamental pillar to implement such culture and monitor the relation with clients is represented by the Customer Survey Process. Through this process, the Group aims at developing and improving a customer-centric culture, based on the comprehension of market real needs in order to best answer to clients product /service expectations, and more over to implement a truly pro-active Sales Policy. Grounded on the Group Customer Satisfaction scheme already launched and recently updated, in coincidence with the creation of the new Global Sales & Marketing Department, a guidelines documents has been issued, with the purpose to homogenize survey methodologies and sample logic adopted by the Subsidiaries with the final goal to improve process effectiveness and set a Group Survey approach. In 2012, the absolute index showed a medium-high satisfaction level while the relative index showed a medium satisfaction level of the Group against competitors. Results of customer satisfaction are publicly disclosed on local websites.

The Group is fully, and constantly, committed to evaluate, prevent and mitigate the risks associated with dealing with suppliers and contractors. Adopting a worldwide unique approach, in 2012 a multi-functional team, defined a standard setting minimum requirements for contractors and suppliers to establish commercial relationships with the Group. The standard is based on the respect of human rights, labor, environmental and anti-corruption best-available practices, in line with the Ten Principles of the UNGC. Furthermore, a new set of clauses including previous minimum requirements, has been defined in the standard general contract conditions and are now available for any future purchase order in the Group.

In 2012, the Group Supplier Qualification procedure, evaluating together sustainable, financial and technical Suppliers' reliability, assessed the 60% of Corporate Suppliers involved in the purchasing process of the Global Procurement function, representing more than 75% of the corporate procurement spending. At local level, while waiting for the full implementation of corporate guidelines, most subsidiaries report that significant investment agreements and major supply contracts include clauses in the field of human rights, ranging from minimum age to health & safety requirements.

The Group also received the "Sodalitas Social Award" for the category "Best Market Initiative" thanks to the plan developed to mitigate the risks relevant to criminal infiltration into business activities and, in particular, to the application of the "Plan for the Prevention of Criminal Risks" included in the Suppliers Reliability Evaluation (qualification). The good results of the plan, and the external recognition, convinced the Group to enlarge the perimeter of such Suppliers' Risk Evaluation to all Italian territory, adopting a new plan developed on the basis of the previous plan dedicated to Italian Southern regions only.

At Italian level, the Group is promoting its standard and best practices within the Italian Network of the UNGC. At international level, the Group is participating in the new CSI sectoral approach, trying to exceed difficulties and limits from other sectors, and to develop common criteria for supply chain management.

| Customer surveys | % of coverage | | Result (KPI/1000) | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| Absolute | 99 | 97 | 804 | 787 |
| Relative | 93 | 76 | 683 | 657 |

| Corporate suppliers evaluated | 2012 | 2011 | 2010 |
|---|---|---|---|
| Group | 60% | 35% | 25% |

## 5.2 Quality

The Group is committed to guarantee and continuously improve the quality of its products, processes and services. Implementing a systematic approach is the key issue to manage the Group processes aiming at satisfying quality requirements, creating value along the life-cycle of products and enhancing relationships with customers and suppliers. The new group Quality Policy, consolidates this approach. All the Group sites adopt quality management systems, subjected to regular audits and periodic updates.

| **Clinker/cement ratio (% of clinker)** | **2012** | **2011** | **2010** |
|---|---|---|---|
| Mature markets | 79.4 | 78.9 | 78.5 |
| Emerging markets | 83.8 | 83.5 | 84.1 |
| Group | 81.8 | 81.3 | 81.6 |

| **Cement types (% production volumes)** | **2012** | **2011** | **2010** |
|---|---|---|---|
| Ordinary Portland cement | 50 | 46 | 45 |
| Limestone cement | 26 | 27 | 22 |
| Multiple blended cement | 7 | 10 | 12 |
| Fly ash cement | 4 | 5 | 7 |
| Slag cement | 7 | 6 | 5 |
| Pozzolan cement | 2 | 2 | 3 |
| Others | 4 | 4 | 6 |

| **Recycled content (*) of cement (% production volumes)** | **2012** | **2011** | **2010** |
|---|---|---|---|
| Cement with > 30% recycled constituents | 5.5 | 6.5 | 6.5 |
| Cement with > 20% recycled constituents | 9.6 | - | - |
| Cement with > 10% recycled constituents | 16.6 | - | - |
| Cement with recycled constituents | 56.9 | - | - |

(*)Recycled content do not account for recycled materials used for clinker preparation, or to substitute fuels. It only relates to mineral addition to clinker in the formulation of cement.

## 5.3 Research and Innovation

Italcementi Group commitment to research and innovation is of strategic importance as a guarantee of growth, global competitiveness and a contribution to a better quality of life for the wide community. The Group Innovation has found applications in three fields: performance to give constructors suitable materials to match the ever growing building challenges; aesthetic value to offer materials appealing to architects that maintain the aspect over time; and sustainability to make building materials more and more “green”, durable and resilient.

A dedicated Innovation Department was created in 2011 to facilitate and approve projects for new products and applications. The innovation process itself was revised in order to make it more effective and to meet market needs. Projects are now classified upon the level of newness when compared to the reference market and to the Group. Three levels have been set: established, i.e. activities with an average innovative contents, enough to differentiate from current offer (e.g. performance improvements, product repositioning, coverage extension); incremental, i.e. activities not changing dramatically the usual way of working but showing a relevant improvement (e.g. products, applications, distribution services, packaging formats, processes, already present in the market but new to the Group); and radical, i.e. disruptive projects, capable to make a real discontinuity with traditions, to suggest a new perception of materials and of their use and to reinvent the building sector (e.g. the same as for the incremental category, but with a clear degree of newness also versus the reference market). In the last three years, the average amount of investments was 13.6 Million Euro, 70% for research and development and 30% for technology transfer, slightly increasing over the period.

Innovative examples of sustainable solutions for buildings are the following: i.light®, the new transparent cement especially developed by Italcementi Group to build the Italian Pavilion at the 2010 World Expo in Shanghai; i.clime®, the innovative ecological product that reduces energy consumption in buildings; TX Active®, the photocatalytic principle for cement products which can reduce organic and inorganic pollutants that are present in the air; ALIPRE®, an example of high technology resulting from a production process with a low environmental impact; i.idro DRAIN, the special mix for porous and permeable pavements, roads, walkways and parking lots, studied for rain and storm water management.

The Group undertook an engagement to develop a methodology addressing state-of-the-art product sustainability concepts applied to its products. The process resulted in the definition of the Product Sustainability Index (PSI), an internal rating system of how sustainable the Group product portfolio is. This is now at test to be then further extended at the whole portfolio. The Life Cycle Assessment (LCA), which quantifies a product's environmental footprint, is adopted for innovative products. The Group will also soon publish EPD (Environmental Product Declarations) for selected products, in line with international standards.

More in general, the Group is closely monitoring and reporting the recycled content of materials, to satisfy the requests of international rating systems for Sustainable Construction (e.g. LEED).

Research on chemical and physical processes for $CO_2$ reduction studies on biological valorization of $CO_2$ in cooperation with GEPEA laboratories and with Algosource Technologies (AST) with the aim of reusing carbon dioxide for the biomass production by means of micro algae. A cooperation with ICMMO (Orsay University) laboratories started for $CO_2$ electrochemical valorization. Testing of large scale beams is studied with the involvement of the Universities of Brescia and Napoli. Additional examples of innovative projects are: research in the field of structural concretes and micro-concretes, studying products with very high strength for the repair and the enhancement of structures and buildings under seismic hazard; thermal insulation and the consequent saving of energy of heating or cooling systems; research of new types of clinker using improved sulphoalluminate based products and activated slags to lower the clinker to cement ratio; studies on anti-bacteria cements, on PED4PV (Pulsed Electron Deposition of thin film for photovoltaic); ClearUp for clean buildings and resource efficiency and PhotoPaq, Demonstration of Photocatalytic Remediation Processes on Air Quality. Detailed information is available on the corporate website (http://www.italcementigroup.com/ENG/Research+and+Innovation/).

| **Innovation rate (%)** | **2012** | **2011** | **2010** | **2009** |
|---|---|---|---|---|
| Mature markets | 2.3 | 5.3 | 4.7 | 3.8 |
| Emerging markets | 3.3 | 3.5 | 3.1 | 2.7 |
| Group | 2.6 | 4.5 | 3.9 | 3.2 |

| **Novelty conditions* (%) (2012)** | **radical** | **incremental** | **established** |
|---|---|---|---|
| Mature markets | 37.2 | 2.7 | 18.0 |
| Emerging markets | 37.3 | 4.7 | - |
| Group | 74.5 | 7.5 | 18.0 |

(*) novelty condition turnover/Innovation Group turnover

## 5.4 Sustainable construction

Italcementi Group commitment to research and innovation is of strategic importance as a guarantee of growth, global competitivenessIn line with its Sustainability Policies, the Group prioritizes the design and promotion of a “sustainable portfolio” as part of the answer to growing market requests and to regulatory drive for construction product labeling. The Group, therefore, strives to provide solutions addressing integrated design, allowing applications of our products to satisfy requirements of holistic and internationally recognized rating systems. For construction sites, this means, solutions to treat and recover construction demolition waste and make use of locally sourced materials (spread out production). For surfaces, it entails the use of materials combating the heat island effect and promoting natural water draining mechanisms while for structures, materials with enhanced properties of thermal insulation, resistance, recycled content and durability. Products designed for specific applications form part of this portfolio which is intended to become the Group Production Portfolio.

Bearing in mind the three pillars of sustainability: Economic, Environmental and Social, and wishing to go beyond environmental impact assessments, Italcementi has introduced Life Cycle Assessment (LCA) in products design and Environmental Production Declaration (EPD) for disclosure of innovative products.

One of the Group ongoing activities in the WBCSD-CSI involves the definition of Product Category Rules for Cement and Concrete needed for EPDs. This activity is of great importance in harmonizing multiple methodologies coming up as the need for EPDs becomes more and more evident. Moreover, the recently published PCR under the International EPD System is in line with results from various international work such as the BS EN 15804 (Sustainability of construction works. Environmental product declarations. Core rules for the product category of construction products) and will go a long way to ensure transparent, consistent and credible EPDs in the construction sector. Besides Group-wide actions, some of our subsidiaries are positioning themselves in this new challenge. The Italian Subsidiary is working together with the Italian Cement Association (AITEC) to define an average EPD for Italian produced cement. It is in the midst of these activities that the Italian Subsidiary decided to carry out the EPD of Alipre and Alicem, sulfoaluminate based clinker and cement special for their rapid setting properties. Alipre and Alicem were suitable candidates for this pioneer experience following the innovative production technology involved and the high recycled materials content; 603 kg/t and 506 kg/t respectively. In particular, the Alipre technology allows for a lower kiln temperature (<1300°C vs 1450°C for Portland clinker) due to the lower temperature needed for the clinkerisation reaction.

The recently inaugurated Research Center of the Group, i.lab, mirrors the Group’s concept of and commitment to sustainable construction. i.lab features the use of materials with high recycled content (slag cement for the reinforced concrete structure -recycled content up to 38%), construction waste, locally sourced materials, renewable materials, low-emitting materials, and certified wood. Special properties of concrete used were required such as self compacting and high resistance. From an energy point of view the building implements photovoltaic cells and geothermal energy to reach a 30% self sufficiency.

# Reporting and additional information

# 6 Reporting and additional information

## 6.1 Correspondence to the Global Reporting Initiative

The Group disclosure of its extra-financial information is in line with the Global Reporting Initiative (GRI) guidelines, version G3.1 and self-declaring that the reporting qualifies for the GRI Scope A+. Definition of boundaries and materiality of information are in line with the GRI in terms of relevance, inclusion of stakeholders, sustainability context and completeness. Detailed information on the correspondence with GRI is available on the corporate website (http://www.italcementigroup.com/ENG/Sustainable+Development/).

## 6.2 United Nations Global Compact: Communication On progress (COP)

| UNGC Principles | | Sphere of business influence | Sources of corporate governance | Actions launched | GRI indicators correspondence | Contribution to the Millennium Development Goals |
|---|---|---|---|---|---|---|
| **Human Rights** | | | | | | |
| Principle 1 | Businesses should support and respect the protection of International human rights within their sphere of influence; and | Employees, contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br>Code of Ethics<br>Charter of Values | Group Sustainability Policy<br>Group Human Rights Policy<br>Group Safety Policy and Safety Management Handbook<br>Group Health Policy<br>Group Social Initiatives Policy<br>Involvement in the working group on human rights within the Italian Network of the UN Global Compact | HR1; HR2; HR3; HR4; | Indirect to Goals n° 1 - 8 |
| Principle 2 | make sure they are not complicit in human rights abuses. | Contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br>Code of Ethics<br>Charter of Values | Group Human Rights Policy<br>Group Safety Policy and Safety Management Handbook<br>Group Social Initiatives Policy | HR1; HR2; HR3; | Indirect to Goals n° 1 - 8 |
| **Labour** | | | | | | |
| Principle 3 | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | Employees, contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br>Charter of Values<br>Code of Ethics<br>BWI Agreement | Follow-up of the BWI Agreement with local workers and union representatives | HR5; LA9; LA4; LA5; | Indirect to Goals n° 3, 6, 7 and 8 |
| Principle 4 | the elimination of all forms of forced and compulsory labour; | Employees, contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br>Charter of Values<br>Code of Ethics<br>BWI Agreement | No existing situation of forced or compulsory labour within the Group activities neither related to contractors activities on site | HR2; HR7; | Indirect to Goals n° 2 and 4 |
| Principle 5 | the effective abolition of child labour; and | Employees, contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br>Charter of Values<br>Code of Ethics<br>BWI Agreement | Group Human Rights Policy<br>Implementation of the Safety Best Practice 'Waiting area for customers and suppliers' | HR1; HR3; HR6; | Indirect to Goals n° 2 and 4 |
| Principle 6 | the elimination of discrimination in respect of employment and occupation. | Employees, contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br>Charter of Values<br>Code of Ethics<br>BWI Agreement | Group Sustainability Policy<br>Implementation of Group Human Resources Policies | LA2; LA14; EC5; HR2; HR4; EC7; | Direct to Goal n° 3 |

| UNGC Principles | | Sphere of business influence | Sources of corporate governance | Actions launched | GRI indicators correspondence | Contribution to the Millennium Development Goals |
|---|---|---|---|---|---|---|
| **Environment** | | | | | | |
| Principle 7 | Businesses should support a precautionary approach to environmental challenges; | Employees and communities | Corporate Governance Framework<br><br>Code of Ethics<br><br>Charter of Values | Group Environment Policy<br><br>Ongoing implementation of environmental management systems<br><br>Ongoing implementation of energy management systems<br><br>Environmental crimes covered by the Organization, Management and Control Model according to the 2001 Italian Legislative Decree n°231 | EN18; EN30; | Direct to Goal n° 7 |
| Principle 8 | undertake initiatives to promote greater environmental responsibility; and | Employees and communities | Corporate Governance Framework<br><br>Code of Ethics<br><br>Charter of Values | Open door events and stakeholder engagement activities | EN18; EN30; | Direct to Goal n° 7 |
| Principle 9 | encourage the development and diffusion of environmentally friendly technologies. | Employees and communities | Corporate Governance Framework<br><br>Code of Ethics<br><br>Charter of Values | Developing and marketing of innovative and environmentally friendly products and applications (TX Active®; ALIPRE®; i.light®; i.clime®;...) | EN2; EN5; EN7; EN18;EN26; EN30; | Direct to Goal n° 7 |
| **Anti-Corruption** | | | | | | |
| Principle 10 | Businesses should work against corruption in all its forms, including extortion and bribery. | Employees, contractors, subcontractors, customers and suppliers | Corporate Governance Framework<br><br>Code of Ethics<br><br>Charter of Values | Group Sustainability Policy<br><br>Adoption of an Organization, Management and Control Model according to the 2001 Italian Legislative Decree n°231<br><br>Release of an Antimafia code, and launch of the specific programme, the so-called 'Piano per la Prevenzione dei Rischi Criminali'<br><br>Group whistle-blowing procedure<br><br>Implementation and training of the Anti-Corruption Compliance Programme<br><br>Implementation and training of the Corporate Governance Programme, plus remuneration (MBO) linked to the implementation of the Corporate Governance Programme<br><br>Suppliers Qualification Department to develop and maintain a vendor base with a high integrity profile in doing business<br><br>Esablishing of the Supplier Committee, Customer Committee and a Real Estate Committee<br><br>Involvement in the working group on corruption within the Italian Network of the UN Global Compact | SO2; SO3; SO4; SO5 | Indirect to Goals n° 1 - 8 |

## 6.3 Third party assurance

The Group is responsible for the data published. The most relevant indicators are submitted to the external verification by Ernst & Young. Furthermore, for the first year, the Group decided to have revision of same statements within the extra-financial section (refer to the assurance on page 346).

**ERNST & YOUNG**

Italcementi - Year ended December 31, 2012.
Independent assurance report on a selection of environmental, safety and innovation indicators

Further to the request made by Italcementi, we performed a review on the Group's environmental, safety and innovation indicators for the year ended December 31, 2012 listed in the Section 6.4 of the sustainability disclosure under the heading "Boundaries and reporting methodology" (the "Indicators") to obtain limited assurance that the Indicators were prepared in accordance with the reporting criteria applicable in 2012 (the "Reporting Criteria"), consisting in external standards elaborated by the World Business Council for Sustainable Development - Cement Sustainability Initiative (WBCSD-CSI) available on the WBCSD web site[1] completed with Group specific procedures, a summary of which is provided in the same Section 6.4.

It is the responsibility of Italcementi Group's sustainable development department to prepare these Indicators and to provide information on the Criteria.

It is our responsibility to express a conclusion on these Indicators on the basis of our review. Our review was conducted in accordance with ISAE 3000[2] International Standard from IFAC. Our independence is defined by legal and regulatory texts as well as by our professional code of ethics.

A higher level of assurance would have required more extensive work.

**Nature and scope of our review**

We performed the following review to be able to express a conclusion:

- We have assessed the Reporting Criteria with respect to their relevance, their completeness, their neutrality, and their reliability.
- At the Group level, we have conducted interviews with the persons responsible for reporting in order to assess the application of the Reporting Criteria. We also have implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of the data.
- We have selected a sample of three cement sites, two Cement business units and three Aggregates business units[3] on the basis of their contribution to the Group's consolidated data and the results of the review performed during previous financial years. At the level of the selected sites and entities, we have verified the understanding and application of the Reporting Criteria, and verified, on a test basis, calculations and reconciliation with supporting documents.
- We reviewed the presentation of the Indicators in the sustainable development report and the associated notes on methodology.

On average, our tests covered between 16 % and 52% of environmental indicators[4], 46% of the number of employees, and 42% of the turnover used in the innovation rate.

**Information about the Reporting Criteria**

- ***Relevance.*** The Group publishes the key performance indicators defined for cement activities by the working groups of the WBCSD-CSI. Methodologies selected by the Group are consistent with the latest versions of the WBCSD-CSI standards and guidelines. The Group's amendments are specified in the notes on reporting methodology. The indicator on "Innovation rate", which is primarily an economic indicator, does not fully address sustainable construction issues.
- ***Completeness.*** The reporting perimeters aim to cover the worldwide activities of the Cement Branch for environmental indicators, Cement and Aggregates Branches for indicators on quarry rehabilitation, and the whole Group for safety and innovation indicators. Perimeters actually covered by the Indicators have been indicated where applicable, notably for air emissions and industrial hygiene.
- ***Neutrality.*** The Group provides detailed information on methodologies used to establish the indicators in the notes on methodology and in the comments next to the published data.
- ***Reliability.*** Air emissions of the Cement BU in India had to be estimated using a fall-back approach for the second consecutive year. Although the alternative method was consistent with the Reporting Criteria and limited to India, the Group and the BU should aim to strictly comply with the Group reporting rules. On the "Industrial Hygiene" indicator, an effort was made to increase the coverage of covered employees and to deploy a new tool to strengthen the data collection. However, the use of this tool is not yet systematically correct and documented as required.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Indicators were not established, in all material respects, in accordance with the Reporting Criteria.

Paris-La Défense, March 15, 2013

ERNST & YOUNG
Climate Change and Sustainability Services

Christophe Schmeitzky

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1 http://www.wbcsdcement.org/

2 ISAE 3000: "Assurance Engagement other than reviews of historical data", International Federation of Accountants, International Audit and Assurance Board, December 2003.

3 Three cement plants: Gaurain (Belgium), Safi (Morocco), and Helwan (Egypt); two Cement business units: Cimar (Morocco) and Suez (Egypt); three Aggregates business unit: Bétomar (Morocco), GSM (France), Calcestruzzi (Italy); and the shared services covering all business units for Safety and Human resources in France.

4 16% of kilns equipped with CEMs, 29% for $CO_2$ emissions, 37% on average of $SO_2$, $NO_x$ and dust emissions, 31% for raw materials consumption for cement and fuel consumption, 52% for raw materials consumption for concrete and 52% of quarries.

## 6.4 Boundaries and reporting methodology

The Sustainability Disclosure aims at keeping an open and constructive dialogue with the Group stakeholders.

The Group is committed to continuously improve the quality, materiality, completeness and reliability of information to ensure the maximum transparency. The document is drafted by the Group Sustainable Development Department. The Editing Committee involves all the relevant Group functions. Data are collected through centralized database and dedicated questionnaires, circulating among subsidiaries, and verified by third party.

Unless otherwise specified, the Sustainability Disclosure covers all the business activities under the operational control of the Group at the end of 2012. Within this period, data are 100% consolidated. Ciments Québec in Canada and Vassiliko Cement Works in Cyprus are not therefore included.

Data for $CO_2$ emissions are the only being reformulated for each previous year to provide comparability, as specified and required in the WBCSD Greenhouse Gas Protocol applied by the Group.

The Group operating sectors are:

- Mature markets: France and Belgium, Greece, Italy, Spain, Canada, U.S.A.
- Emerging markets: Bulgaria, Egypt, Morocco, India, Kazakhstan, Thailand.
- Trading: cement and clinker activities in Albania, Gambia, Kuwait, Mauritania and Sri Lanka, as well as direct exports to markets that are not covered by Group subsidiaries.
- Other operations: a category for the operations of the Ciments Français SA sub-holding, also including liquid and solid fuel procurement operations for Group companies.

The Group business sectors are:

- operations relating to production and sales of cement/clinker;
- operations relating to construction materials (ready-mixed concrete and aggregates);
- other operations such as transport, engineering, e-business and energy.

The table hereunder summarizes the internal procedures managing key performance indicators (KPIs) subjected to external verification.

| Group reference | KPI | Abstract |
|---|---|---|
| SDD001 Air Emissions Reporting Procedure | dust, $NO_x$, $SO_2$: absolute and specific emissions at kiln main stacks | The procedure covers the emissions of pollutants at the main stack and the bypass stack of the cement kilns. It defines requirements for quality tests and recommends methods for measurements according to “CSI Guidelines for Emissions Monitoring and Reporting, March 2005”. Data are entered into the Group database and reported by means of the Group reporting software or dedicated spreadsheets. Specific emissions are based on available measurements (continuous or spot), absolute emissions are extrapolated to all kilns. |
| SDD002 $CO_2$ Reporting Methodology | Absolute and specific gross $CO_2$ emissions and $CO_2$ emissions from electricity consumption | The procedure is compliant with the WBCSD/CSI Protocol: “$CO_2$ Accounting and Reporting Standard for the Cement Industry”, June 2005 ver.2. Absolute gross and specific $CO_2$ emissions are reported to SDD by means of the WBCSD/CSI Cement $CO_2$ protocol spreadsheet. $CO_2$ emissions account total direct emissions, excluding biomass fuels. Cementitious products account both clinker production and mineral additions for cement grinding. |

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| | | |
|---|---|---|
| SDD011 ISO 14001 Reporting Instruction | Percentage of sites certified ISO 14001 | The ISO 14001 certified facilities are cement plants, grinding centers, aggregates quarries and plants, ready-mix concrete plants which have developed and implemented Environmental Management Systems complying with the requirements set in the standard ISO 14001:2004, certified by qualified bodies and with valid certificates. |
| SDD012 Raw Materials Reporting Instruction | Total RMs and ARMs consumption for cement production | The instruction defines natural and alternative raw materials (ARMs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Dry tonnes of RMs and ARMs are reported according to “CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process”. |
| SDD013 Fuels Reporting Instruction | Total fuels and AFs consumption for clinker production | The instruction defines conventional and alternative fuels (AFs). The Group Technical Center draws the data from the Group database; figures are endorsed by the subsidiaries before being forwarded to SDD. Thermal input from conventional fuels and AFs reported according to “CSI Guidelines for the selection and use of fuels and raw materials in the cement manufacturing process”. |
| SDD016 Quarry rehabilitation Instruction | Percentage of quarries with a rehabilitation plan and included or nearby protected zones for nature preservation | The procedure sets that employees potentially exposed to dust, silica, noise and vibration have to be evaluated versus international standards recommended in the procedure. When defining the number of potentially exposed employees only, default values may be are used to correct incomplete reporting from countries. Monitoring activity is always supported by evidence. |
| N4 Group Innovation | Percentage of turnover from innovative products | The innovation rate is the ratio between the operational turnover realized with the sales of innovative products and the total operational turnover. Innovation Projects are identified as New Products (cements and binders, ready mix concretes, admixtures, mortars and others); New Applications (new construction solutions even with existing products); New Services pertaining to the area of sustainable development, distribution and packaging; New Manufacturing Processes represented by specific manufacturing processes made available to the market after an internal development of specific know-how and patents. Innovation projects are classified according to three categories: Established (Product-Application-Service-Manufacturing process already present both in the reference market of the Subsidiary and in the Subsidiary offer); Incremental (Product-Application-Service-Manufacturing process present in the reference market of the Subsidiary but not in the Subsidiary offer); Radical (Product-Application-Service-Manufacturing process new to the reference market of the Subsidiary and to the Subsidiary offer). According to the novelty condition, the innovation period can vary from a minimum of 3 years to a maximum of 9 years. The innovation rate includes admixtures with no limit of duration because of the permanent adaptation of the product. It also includes the cement in case of common sales of admixtures and cement to third parties. Existing products which have been repositioned because of their contribution to sustainable development are included in the innovation rate as well. |
| Safety management handbook | LTI Frequency Rate | A Group database, automatically updated at site level, calculates lost time injuries (days) in a year per million hours worked, according to WBCSD/CSI definitions. |
| SDD017 Industrial Hygiene – Workplace Assessment | Percentage of employees potentially exposed to dust, silica, noise and vibration covered by the workplace assessment | The procedure sets that employees potentially exposed to dust, silica, noise and vibration have to be evaluated versus international standards recommended in the procedure. When defining the number of potentially exposed employees only, default values may be are used to correct incomplete reporting from countries. Monitoring activity is always supported by evidence. |
| Human resources database | Total of employees (gender, age and geographical distribution) | Human resources database based on SAP system and collecting gender, age and geographical information about employees. |
| Human resources database | Hiring and dismissals | Human resources database based on SAP system and collecting entries and leaves, categorized by type, within the Group perimeter or reassignments between different subsidiaries. |

| | | |
|---|---|---|
| Training management system | Hours of training and specific programs | Training activities are grouped in 4 main training areas: Compliance and Risk Mitigation; Efficiency; Sustainable Development and Innovation; and Human Capital Development. Training hours are the sum of hours spent in training (without distinction according to the methodology: classroom, on-field, e-learning, etc) per each training area, per gender and per personnel classification (Manager, White collar, Blue collar). These figures are collected from all countries twice a year (July and January) through an on-line system. |

## Glossary

| | |
|---|---|
| **AFs** | Alternative Fuels |
| **ARMs** | Alternative Raw materials |
| **AFRs** | Alternative Fuels and Raw Materials |
| **BWI** | Building and Wood Workers' International |
| **CEMs** | Continuous Emissions Monitoring system |
| **CSI** | Cement Sustainability Initiative |
| **GRI** | Global Reporting Initiative |
| **KPIs** | Key Performance Indicators |
| **ILO** | International Labour Organisation |
| **ISO 14001** | The International Standards Organisation model for management and external certification of environmental performance |
| **KPIs** | Key Performance Indicators |
| **LTI** | Lost Time Injuries |
| **SDD** | Sustainable Development Department |
| **SDSC** | Sustainable Development Steering Committee |
| **WBCSD** | World Business Council for Sustainable Development |

## Chemicals and units

| | |
|---|---|
| **$CO_2$** | Carbon dioxide |
| **$SO_2$** | Sulphur dioxide |
| **$NO_x$** | Nitrogen oxides |
| **CO** | carbon monoxide |
| **VOC** | volatile organics |
| **PCBs** | Polychlorinated Biphenyls |
| **CFCs** | Chlorofluorocarbons |

| | |
|---|---|
| **ng** | nanogram(0.000000001 g) |
| **mg** | milligram (0.001 g) |
| **g** | gram |
| **kg** | kilogram (1,000 g) |
| **t** | ton (1,000 kg) |
| **kt** | kiloton (1,000 tons) |
| **toe** | tons of oil equivalent |
| **ktoe** | kilotons (1,000 tons) of oil equivalent |
| **tpd** | tons per day |
| **$m^3$** | cubic metre |
| **MJ** | mega joule (1 million joules) |
| **MW** | mega watt (1 million watts) |
| **kWh** | kilowatt-hour (1,000 watt-hours) |
| **GWh** | gigawatt-hour (1 billion watt-hours) |

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# Extraordinary session

## Directors' Report

**Proposal to renew the directors' powers, under articles 2443 and 2420-ter of the Italian Civil code, to increase the share capital and to issue convertible bonds or cum warrant, once or in more times, for a maximum amount of nominal Euro 500 million.**

Dear Shareholders,

You have been called to the Extraordinary General Meeting to resolve upon the renewal of the authorization to Board of Directors to increase the share capital and to issue convertible bonds cum warrants, once or more times, in accordance with Articles 2443 and 2420-*ter* of the Italian Civil Code.

The previous authorization granted by the Extraordinary General Meeting of April 28, 2008 has expired and it has never been exercised by your Board of Directors.

We therefore deem appropriate to request you to renew to your Board of Directors the captioned authorization to both increase the share capital and issue convertible bonds, allowing it to take advantage, with the necessary timely execution, of the most favorable opportunities offered by the market and deemed suitable to ensure the industrial development of Italcementi and its subsidiaries and affiliates.

If you agree with our proposal, the update of paragraph 4 of Section 5 of the By-Laws will be required, granting the Board of Directors the power so that it can, once or more times within a period of five years as of the shareholders' resolution:

a) under Art. 2443 of the Italian Civil Code, increase the share capital up to a maximum nominal amount of EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary and/or savings shares and/or coupons (warrants) for deferred subscription;

b) under Art. 2420-*ter* of the Italian Civil Code, issue bonds to be converted into ordinary and/or savings shares or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits allowed by law from time to time

all with the widest powers connected thereto, including those of offering the shares and convertible bonds as options or with a warrant under the form as per the second last clause of Art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion rates, terms and modes for the execution of transactions.

* * *

Dear Shareholders,

If you agree with our proposal, we invite you to resolve upon the following resolution:

"The extraordinary shareholders' meeting of Italcementi S.p.A. on April 18, 2013,

- having acknowledged the proposal of the Board of Directors,
- having acknowledged the favorable opinion of the Board of Statutory Auditors and its statement that the current share capital of Euro 282,548,942, divided into 177,117,564 ordinary shares and 105,431,378 savings shares of a nominal, is fully paid up

hereby resolves

1) to grant the Directors the powers, in accordance with Articles 2443 and 2420-*ter* of the Italian Civil Code, including any inherent power thereto, to increase the share capital for a period of five years as of this shareholders' resolution up to a maximum nominal amount of EUR 500,000,000, free-of-charge or against consideration, and to issue for a five year period as of this shareholders' resolution, once or more times, convertible bonds up to a maximum nominal amount of EUR 500,000,000, within the limits allowed by law from time to time;
2) to amend paragraph 4 of Article 5 of the Company's By-Laws as follows:

   "The Board of Directors is given the power so that it can, once or more times within the period of five years as of the resolution adopted by the Extraordinary Shareholders' Meeting of April17, 2013:

   a) under Art. 2443 of the Italian Civil Code, increase the share capital up to a maximum nominal amount of EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary and/or savings shares and/or coupons (warrants) for deferred subscription;
   b) under Art. 2420-*ter* of the Italian Civil Code, issue bonds to be converted into ordinary and/or savings shares or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits allowed by law from time to time

   all with the widest powers connected thereto, including those of offering the shares and convertible bonds as options or with a warrant under the form as per the second last clause of Art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion rates, terms and modes for the execution of transactions."

* * *

Section 5 of the By-laws, following the above proposed resolution, will be as follows:

**<u>Article 5</u>**

**Share capital**

The share capital is EUR 282,548,942, broken down into 177,117,564 ordinary shares and 105,431,378 savings shares, with a face value of EUR 1 each.

The share capital can be increased also by means of assets in kind or receivables, provided that legal provisions are complied with.

In the event the share capital is increased, the pre-emptive right can be ruled out within a limit of ten per cent of the pre-existing share capital, in compliance with legal provisions.

The Board of Directors is given the power so that it can, once or more times within the period of five years as of the resolution adopted by the Extraordinary Shareholders' Meeting of April17, 2013:

a) under Art. 2443 of the Italian Civil Code, increase the share capital up to a maximum nominal amount of EUR 500,000,000, free-of-charge or against consideration, by issuing ordinary and/or savings shares and/or coupons (warrants) for deferred subscription;
b) under Art. 2420-*ter* of the Italian Civil Code, issue bonds to be converted into ordinary and/or savings shares or with rights of purchase and subscription, up to a maximum amount of EUR 500,000,000, within the limits allowed by law from time to time

all with the widest powers connected thereto, including those of offering the shares and convertible bonds as options or with a warrant under the form as per the second last clause of Art. 2441 of the Italian Civil Code; reserve up to a quarter of them under art. 2441 of the Italian Civil Code, last clause; define the provisions and reserves to enter as capital in the event of free-of-charge increase; define issue price, conversion rates, terms and modes for the execution of transactions.

With a resolution dated April 19, 2011, the extraordinary shareholders' meeting attributed to the Board of Directors:

- the power, pursuant to art. 2443 Italian Civil Code, to increase the share capital on one or more times within a period of five years from the above resolution, for a maximum nominal amount of 6,000,000 euro through the issue, free of charge and/or against consideration, of up to 6,000,000 ordinary and/or savings shares, to be reserved, pursuant to art. 2441 par 8, Italian Civil Code:
  * for employees of Italcementi S.p.A. and its subsidiaries, in the event of a free of charge issue,
  * for employees of Italcementi S.p.A. and its subsidiaries, and for employees of its parent companies and of other companies controlled by such parent companies, in the event of an offer for subscription, both in Italy and abroad and in accordance with the laws in force in the countries of the beneficiaries;
- the power, consequently, to establish the share entitlement rights, to determine the time, procedures, characteristics and conditions of the offer to employees and to establish the share issue price, including any share premium.

Bergamo, March 5, 2013

On behalf of the Board of Directors
The Chairman
Giampiero Pesenti

## Summary of resolutions

The Annual General Meeting of the Shareholders held on a single call on April 17, 2013, in Bergamo, via Madonna della Neve 8, chaired by Giampiero Pesenti, and attended in person and by proxy by 172 shareholders holding a total of 123,899,598 ordinary shares over 177,117,564 outstanding ordinary shares,

**resolved**

***at the ordinary session***:

1) to approve the financial statements as at and for the year ended December 31, 2012, which reflect a loss of 202,882,382.86 euro, and also the related Directors' Report;
   - to release, following the issue of the decree definitively granting the subsidies for project no. 20071-11, at the Samatzai cement plant, an amount of 2,513,079.27 euro of financial year 2000 earnings allocated to the "Fund 488/92" reserve with a shareholder resolution of April 24, 2001, and to take the full amount to the "Extraordinary reserve", which consequently increases to 450,736,862.20 euro;
   - to cover in full the loss for the period of 202,882,382.86 euro by withdrawing a sum for the same amount from the Extraordinary reserve, which consequently decreases to 247,854,479.34 euro;
   - to withdraw an amount of 16,719,024.78 euro from the Extraordinary reserve, which consequently decreases from 247,854,479.34 euro to 231,135,454.56 euro, in order to assign 0.06 euro:
     - to the 173,324,535 outstanding ordinary shares, net of the 3,793,029 ordinary treasury shares held at March 5, 2013;
     - to the 105,325,878 outstanding savings shares, net of the 105,500 savings treasury shares held at March 5, 2013;
2) to agree upon the Remuneration Report prepared by the Directors;
3) subject to revocation of the resolution authorizing the purchase and disposal of treasury shares adopted by the Annual General Meeting of April 18, 2012:
   - to authorize, pursuant to art. 2357 Italian Civil Code, within 18 months from the resolution date, the purchase, once or in more times, of ordinary and/or savings treasury shares in order to:
     - hold treasury shares:
       * to be sold to employees and/or directors in connection with stock option plans reserved for employees and/or directors;
       * for medium/long-term investment purposes;
     - intervene, in compliance with current regulations, directly or through intermediaries, in order to limit anomalous movements in share prices and to regularize trends in trading and share prices in response to momentary distortions caused by excessive volatility or low trading liquidity;
     - build a treasury stock portfolio to service extraordinary financial transactions or for other purposes deemed to be in the financial, business and/or strategic interests of the company;
     - offer shareholders an additional instrument to monetarize their investments. The per-share purchase price shall not be more than 15% above or below the average reference price on the Italian stock exchange in the three trading sessions prior to each transaction; the overall amount paid by the company shall in no case exceed 100 million euro; the overall nominal value of the maximum number of purchased ordinary and/or savings shares, including any treasury shares held as of the date hereof by the company and by the subsidiaries, shall not exceed one tenth of share capital.

     Furthermore:

     - purchases shall normally be conducted in such a manner that equitable treatment of shareholders is ensured and that offers to purchase may not be directly matched with pre-determined offers to sell, or, taking into account the various possible purposes, in any other manner allowed under current laws and regulations governing the stock market on which the transaction is performed;

- shares shall be disposed of in any manner deemed appropriate to achieve the objectives pursued, directly or through intermediaries, in compliance with current laws and without time limits;
- treasury share purchases and sales shall be performed in compliance with the applicable laws and, specifically, in compliance with the laws and regulations governing the stock market on which the transaction is performed.

- to severally grant to the Chairman, the Executive Deputy Chairman, the Deputy Chairman and the Chief Executive Officer in office from time to time all powers required to proceed with the purchases and sales and in any case to execute the above resolutions, also through attorneys-in-fact, complying with any requirements presented by the authorities;

4) to establish the number of members of the Board of Directors for the three-year period 2013 - 2015 at 15 (fifteen) and to appoint as members:

Giulio Antonello
Pierfranco Barabani
Giorgio Bonomi
Fritz Burkard
Victoire de Margerie
Lorenzo Renato Guerini
Federico Falck
Italo Lucchini
Emma Marcegaglia
Sebastiano Mazzoleni
Jean Paul Méric
Carlo Pesenti
Giampiero Pesenti
Carlo Secchi
Elena Zambon

and to set at Euro:

* 40,000 the gross remuneration to be paid to each Board member;
* 6,000 the gross remuneration to be paid to each director for each attendance at the meetings of the company Executive Committee;
* 4,000 the gross remuneration to be paid to each member of the Remuneration Committee for each attendance at the meetings of the company Remuneration Committee;
* 4,000 the gross remuneration to be paid to each member of the Control & Risks Committee for each attendance at the meetings of the company Control & Risks Committee;
* 4,000 the gross remuneration to be paid to each member of the Committee for Transactions with Related Parties for each attendance at the meetings of the company Committee for Transactions with Related Parties;
* 4,000 the gross remuneration to be paid to each member of the Board of Directors who may be named as a member of the Supervisory Board for each attendance at the meetings of the company Supervisory Board.

***at an extraordinary session***:

to renew the Board of Directors' power, in accordance with articles 2443 and 2420-ter Italian Civil Code, to increase the share capital, once or more times, up to a maximum nominal amount of 500 million euro and to issue convertible debentures with warrants, once or more times, up to a maximum nominal amount of 500 million euro.

* * *

At a meeting after the Annual General Meeting the Board of Directors appointed the following officers for the three-year period 2013-2015:

| | |
|---|---|
| Giampiero Pesenti | - Chairman |
| Pierfranco Barabani | - Executive Deputy Chairman |
| Lorenzo Renato Guerini | - Deputy Chairman |
| Carlo Pesenti | - Chief Executive Officer |

and confirmed Giovanni Battista Ferrario as Chief Operating Officer.

The Board of Directors appointed the ***Executive Committee*** for the three-year period 2013-2015, as follows:

Giampiero Pesenti - Chairman

Carlo Pesenti

Pierfranco Barabani

Lorenzo Renato Guerini

Federico Falck

Jean Paul Méric

Paolo Santinoli was confirmed as ***Secretary to the Board of Directors*** and to the Executive Committee.

Carlo Pesenti was confirmed as ***Director in charge of the Internal Control & Risk Management System***.

Independent director Giulio Antonello was named ***Lead Independent director***.

The Board of Directors also formed the Committees for the governance of the company, as follows:

***Remuneration Committee***

Giulio Antonello

Victoire de Margerie

Lorenzo Renato Guerini

Emma Marcegaglia

***Control & Risks Committee***

Federico Falck

Carlo Secchi

Lorenzo Renato Guerini

***Committee for Transactions with Related Parties***

Federico Falck

Carlo Secchi

Lorenzo Renato Guerini

# Corporate bodies after the appointments of April 17, 2013

## Board of Directors

(Term ends on approval of financial statements at 12.31.2015)

| | | |
|---|---|---|
| Giampiero Pesenti | 1 | Chairman |
| Pierfranco Barabani | 1 | Executive Deputy Chairman |
| Lorenzo Renato Guerini | 1-4-5-6-7 | Deputy Chairman |
| Carlo Pesenti | 1-2 | Chief Executive Officer-CEO |
| Giulio Antonello | 3-4-7 | |
| Giorgio Bonomi | | |
| Fritz Burkard | 7 | |
| Victoire de Margerie | 4-7 | |
| Federico Falck | 1-5-6-7 | |
| Italo Lucchini | | |
| Emma Marcegaglia | 4-7 | |
| Sebastiano Mazzoleni | | |
| Jean Paul Méric | 1 | |
| Carlo Secchi | 5-6-7 | |
| Elena Zambon | 7 | |
| Paolo Santinoli | 8 | Secretary to the Board |

## Board of Statutory Auditors

(Term ends on approval of financial statements at 12.31.2014)

### Acting auditors

| | |
|---|---|
| Maria Martellini | Chairman |
| Luciana Gattinoni | |
| Mario Comana | |

### Substitute auditors

Carlo Luigi Rossi
Luciana Ravicini
Fabio Bombardieri

## Chief Operating Officer-COO

Giovanni Ferrario

## Manager in charge of preparing the company's financial reports

Carlo Bianchini

## Independent Auditors

(Term ends on approval of financial statements at 12.31.2019)

KPMG S.p.A.

1 Member of the Executive Committee
2 Director responsible for the Internal Control & Risks Management System
3 Lead independent director
4 Member of the Remuneration Committee
5 Member of the Control & Risks Committee
6 Member of the Committee for Transactions with Related Parties
7 Independent director (pursuant to the Voluntary Code of Conduct and to Law no.58 of February 24, 1998)
8 Secretary to the Executive Committee

April 2013
Project by LSVmultimedia
Olginate - Lecco

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